

STATE OF WASHINGTON
DEPARTMENT OF RETIREMENT SYSTEMS
OLYMPIA, WASHINGTON

REQUEST FOR PROPOSALS

RFP NO. 99-23

PROJECT TITLE: **THIRD PARTY RECORD KEEPING SERVICES
FOR DEFINED CONTRIBUTION AND DEFERRED
COMPENSATION PLANS**

PROPOSAL DUE DATE: **July 27, 1999**

**EXPECTED TIME PERIOD
FOR CONTRACT:** **September 30, 1999, to August 31, 2002**

CONSULTANT ELIGIBILITY: This procurement is open to those companies who satisfy the minimum qualifications stated herein and who are available for work in Washington State.

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WASHINGTON STATE DEPARTMENT OF RETIREMENT SYSTEMS

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THIRD PARTY RECORD KEEPING SERVICES FOR DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

1. INTRODUCTION

1.1 PURPOSE

The Department of Retirement Systems is seeking one or more third party record keepers for three of its retirement programs/plans. Two are Internal Revenue Code Section 401(a) plans, with combination defined benefit/defined contribution components: School Employees' Retirement System (SERS) Plan 3, to be implemented September 1, 2000; and Teachers' Retirement System (TRS) Plan 3, implemented in 1996. The third is the Deferred Compensation Program (DCP), an Internal Revenue Code Section 457 plan. The record keeper(s) selected will provide services for the defined contribution portion of the 401(a) plans and for the 457 plan.

These record keeping services will be phased in, with implementation of the SERS Plan 3 record keeping service to begin September 1, 2000; DCP record keeping services expected to be migrated from the Washington State Department of Personnel (DOP) by December 31, 2000; and TRS Plan 3 record keeping services expected to be migrated by June 2001.

1.2 BACKGROUND

The Washington State Department of Retirement Systems (DRS) is a state agency created by the 1976 Washington State Legislature. The enabling legislation is found in Chapter 41.50 Revised Code of Washington (RCW). DRS currently administers the state's six public sector retirement systems with ten separate plans that have a combined total value of approximately \$37 billion. The retirement systems and plans are Public Employees' Retirement System (PERS) Plan 1 and Plan 2; Teachers' Retirement System (TRS) Plan 1, Plan 2, and Plan 3; Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 and Plan 2; the Washington State Patrol Retirement System, the Judicial Retirement System, and the Judges' Retirement Fund. All are defined benefit plans, with the exception of TRS Plan 3, which is a dual hybrid defined benefit/defined contribution plan.

TRS Plan 3 was created in 1995 by the Washington State Legislature. TRS Plan 3 is the State's first dual hybrid plan consisting of both defined benefit and defined contribution components. The legislation creating TRS Plan 3 also moved the administrative responsibility for the state's Deferred Compensation Program (DCP) to DRS.

The Washington State Investment Board (WSIB), a state agency created by the 1981 Washington State Legislature, invests and manages the defined benefit contributions and determines investment options for the defined contribution funds and the DCP funds.

The 1998 Legislature created a new defined contribution/defined benefit plan for classified school employees, School Employees' Retirement System (SERS). The intent of the Legislature in creating SERS was to provide similar benefits to all school employees. Below are brief descriptions of SERS Plan 3, TRS Plan 3, and DCP.

School Employees' Retirement System

SERS will consist of a Plan 2 and a Plan 3. SERS Plan 2 is a defined benefit plan; SERS Plan 3 is a hybrid, similar to TRS Plan 3, consisting of both defined contribution and defined benefit components. All new classified employees of school districts hired on or after September 1, 2000, will be members of SERS Plan 3. Classified school employees' who are members of PERS Plan 2 will automatically be transferred to SERS Plan 2 on September 1, 2000, and will have the option of transferring to SERS Plan 3.

The defined contribution portion of SERS Plan 3 will offer members the option to invest their contributions in a monthly valued fund managed by the WSIB or in daily valued self-directed options, similar to the options provided for TRS Plan 3. The Employee Retirement Benefits Board (ERBB) establishes contribution rate options for the defined contribution plans and provides advice on investment options to the WSIB. The number of participants who will transfer to SERS Plan 3 is unknown at this time. When the legislation creating SERS passed, the fiscal note estimated the number of participants electing to transfer to SERS Plan 3 would be 22,000.

The legislation provides for a six-month window, lasting until February 28, 2001, during which SERS Plan 2 members who elect to transfer to SERS Plan 3 will be paid an additional 65 percent on the balance in their account as of January 1, 2000. Because of this additional amount, it is expected that the majority of eligible employees who will elect to transfer will do so during this period.

The fiscal note estimate of 22,000 participants electing to transfer is around half of the PERS Plan 2 classified school employees. When TRS Plan 3 legislation

was passed, transfer projections of around 9,300 in each of two years were made. In reality, more than 25,000 of around 35,000 eligible TRS Plan 2 members transferred during the open window period of July 1, 1996, to December 31, 1998, with 22,000 of those transferring the last two months. However, this cannot necessarily be considered an indicator of similar activity for SERS Plan 3. The SERS transfer window is six months versus 18 months for TRS Plan 3.

School district PERS Plan 2 participation figures as of June 30, 1998, included 43,734 active members whose 1997-1998 fiscal year member contributions totaled \$35,478,168 collected from 305 school districts/educational service districts.

DRS is seeking record keeping services for the defined contribution portion of SERS Plan 3.

Teachers' Retirement System Plan 3

The Teachers' Retirement System (TRS) Plan 3 is similar to the proposed SERS Plan 3. It was established by the 1995 Legislature and implemented in July 1996. TRS Plan 3 provides two investment choices for members: self-directed investments, and the Total Allocation Portfolio (TAP), with the WSIB. Of the 39,075 members in Plan 3 as of March 31, 1999, 16,485 participate in the self-directed investment option provided, and 22,590 in the WSIB option. Current total assets in the defined contribution part of the plan are around \$1.2 billion. See *Teachers' Retirement System Plan 3 Member Handbook*, Exhibit A, for a description of the plan. As with SERS Plan 3, the ERBB also establishes contribution rates and provides advice on investment options for TRS Plan 3.

DRS is seeking record keeping services for TRS Plan 3 pending the expiration of the current contract with ICMA Retirement Corporation (ICMA RC), in accordance with Washington State procurement requirements.

Deferred Compensation Program

The Deferred Compensation Program is an IRC 457 plan administered by the Department of Retirement Systems for employees of the state of Washington as well as political subdivisions throughout the state. Of the 36,461 participants, the majority (25,193) are employed by the State of Washington. The program also serves participants in 294 political subdivisions (cities, counties, school districts, etc.), as well as community colleges and institutions of higher education. Current value of the total investments in the plan is approximately \$1.2 billion. See *Deferred Compensation Program Summary and Regulations*, Exhibit J, for a description of the plan.

DCP also administers a separate 401 (a) account, the Judicial Retirement Account (JRA) for members of the Judicial Retirement System and judges who are members of the Public Employees' Retirement System. The Plan has 165

members, and contributions are received from both employers and employees. Plan assets are \$7.5 million.

DRS will transfer record keeping services from the Washington State Department of Personnel (DOP) to a third-party record keeper. Administrative functions, including marketing, distribution, accounting, customer service, education and communications, are currently supported by DRS staff.

1.3 PERIOD OF PERFORMANCE

The period of performance of the contract to provide record keeping services for SERS Plan 3, resulting from this RFP, is scheduled for September 1999 to August 2002. The period of performance of the contract to provide record keeping services for TRS Plan 3, resulting from this RFP, is tentatively scheduled for July 2001 to June 2004. The period of performance of the contract to provide record keeping services for DCP, resulting from this RFP, is tentatively scheduled for January 2001 to December 2003. DRS reserves the right to extend each of the contracts for up to an additional two (2) years in one-year (1 year) increments.

1.4 BID REQUIREMENTS

It is DRS's desire to enter into one or more fixed price contracts with one or more record keepers to provide the services requested in this RFP. The fees proposed must be fixed over the three-year contract, and an increase to the fees quoted will not be permitted. Respondents should indicate in their Executive Summary which of the following bid alternatives they are responding to.

Qualified Respondents may propose under the following three alternatives:

Alternative 1	The TRS Plan 3 and the SERS Plan 3 plans only, or
Alternative 2	The DCP plan only, or
Alternative 3	The TRS Plan 3, the SERS Plan 3 and the DCP plan(s) combined.

Additional information about the Fee Proposals can be found on page 112 of this RFP. Fee Proposal forms are Appendix B.

1.5 DEFINITIONS

- **“Respondent”** shall mean an entity intending to submit or submitting a proposal for the project.
- **“Apparently Successful Respondent(s)”** shall mean the Respondent(s) selected by Department of Retirement Systems (DRS) as the most qualified entity to perform the stated services.

- **“Director”** shall mean the agency employee authorized by RCW 41.50.020 who serves as the executive and administrative head of DRS.
- **“RFP”** shall mean this Request for Proposals, any addendum or erratum thereto, Respondents’ written questions and the respective answers, and any related correspondence that is: (1) addressed to all Respondents and (2) signed by the Director, Deputy Director, their designee, or the RFP Coordinator.
- **“DRS”** shall mean the Washington State Department of Retirement Systems as described in Chapter 41.50 RCW.
- **“ERBB”** shall mean the Washington State Department of Retirement Systems Employee Retirement Benefits Board.
- **“WSIB”** shall mean the State of Washington, State Investment Board, consisting of the policy board described in RCW 43.33A.020 and staff authorized by RCW 43.33A.100. It may also be referred to as Board in this RFP.
- **“DCP”** shall mean the Washington State Deferred Compensation Program.
- **“TRS”** shall mean the Washington State Teachers’ Retirement System.
- **“SERS”** shall mean the Washington State School Employees’ Retirement System.
- **“JRA”** shall mean the Judicial Retirement Account

Contract definitions are provided on page one of the Sample Contract, which is Appendix C of this RFP.

1.6 TRS Plan 3 and SERS Plan 3 Plan Summary

Type of Plan	401(a) – dual hybrid plan with defined contribution component
Participant Contributions	Mandatory – Percentage of pay, 6 rate schedules, some vary based on age
Deposit Frequency	Up to daily
Participant Investment Direction	Yes
Investment Options	<p>1. “WSIB Investment Program” which is made up of Total Allocation Portfolio (TAP) managed by the Washington State Investment Board</p> <p>2. “Self-Directed Investment Program” which is made up of:</p> <ul style="list-style-type: none"> a. Bond Market Fund b. U.S. Stock Market Index Fund c. U.S. Large Stock Index Fund d. International Stock Index Fund e. U.S. Small Stock Index Fund f. Money Market Fund <p>Funds are selected by WSIB and managed by State Street Global Advisors. There are also 3 pre-mixed portfolio funds made up of percentages of the funds listed above.</p>
Frequency of Valuation	<p>WSIB Investment Program: monthly valued, approximately 25 to 28 days after month end.</p> <p>Self-Directed Investment Program: daily</p>
Investment Management and Related Fees	<p>WSIB Investment Program: Fee paid by the State</p> <p>Self-Directed Investment Program: Disclosed but netted prior to calculation of NAV</p>
In-service Withdrawals	No, not permitted
Loans	Not available, not permitted
Vesting	100% immediate
Participant Statements	Quarterly
Payout Elections	May be deferred until MRD date
Rollovers	To other qualified plans and IRAs
Payout Options	<p>TAP: Lump sum payments only</p> <p>Self-Directed: lump sum, installment, and annuities</p>
Administrative Structure	Unbundled

1.7 Deferred Compensation Program Plan Summary

	457 Plan	Judicial Retirement Account
Type of Plan	457(b)	401(a)
Participant Contributions	Voluntary, up to IRC limits	2.5% mandatory
Employer Contributions	None	2.5%
Contributions As:	Flat Dollar and Percentage of Pay	Percentage of Pay
Deposit Frequency	Majority (state employees and higher ed): 10th & 25th of the month Political Subdivisions: daily	10th & 25th of the month
Participant Direction	Yes	Yes
Investment Options	GIC pool, mutual funds, institutional fund Saving Pool (GIC) Fidelity Intermediate Bond Fund Calvert Social Investment Fund Fidelity Equity Income Fund Fidelity Retirement Growth Fund Fidelity Growth Company Fund Fidelity Overseas Fund Institutional: US Stock Market Index	Mutual funds, institutional fund Provident FedFund Fidelity Intermediate Bond Fund Calvert Social Investment Fund Fidelity Equity Income Fund Fidelity Retirement Growth Fund Fidelity Growth Company Fund Fidelity Overseas Fund Institutional: US Stock Market Index
Frequency of Valuation	GIC pool: Monthly.	GIC pool: Monthly.
	Mutual and institutional funds: Valued daily, traded monthly	Mutual and institutional funds: Valued daily, traded monthly
Investment Management and Related Fees	GIC fund: Netted from return prior to calculations of unit value	Provident FedFund: Netted from return prior to calculations of unit value
	Mutual and institutional funds: Disclosed but netted prior to calculation of NAV	Mutual and institutional funds: Disclosed but netted prior to calculation of NAV
In-service Withdrawals	Yes, for unforeseen financial hardship and voluntary diminimus distributions	Not permitted
Loans	Not available	Not available
Vesting	100% immediate	100% immediate
Participant Statements	Quarterly	Quarterly
Distribution Elections	Must be made within 60 days from separation from service Option for one postponement	May be deferred until MRD date
Rollovers	To other 457 plans	To other qualified plans and IRAs
Distribution Options	Lump sum, installment payment and annuities	Lump sum, installment payment and rollovers
Administrative Structure	Unbundled	Unbundled

2. SCOPE OF SERVICES

2.1 TRS Plan 3 and SERS Plan 3

2.1.1 COMMUNICATIONS

Written Communication Materials

The record keeper will be required to prepare brochures, publications and forms for participants. Copies of the brochures, publications, and forms produced by the record keeper currently provided to TRS Plan 3 participants are included in Exhibits B and C. DRS requires the selected record keeper to provide at a minimum these types of publications. It is expected that the materials for SERS Plan 3 participants would be very similar but customized as appropriate for SERS members. The record keeper will be required to prepare and print separate materials for each plan. The record keeper will not provide any generic investment materials to members; all publications and forms will be customized for TRS and SERS members.

The record keeper will be required to update forms and publications when necessary and may be required to produce additional publications as required by DRS.

All materials produced by the record keeper for TRS Plan 3 and SERS Plan 3 are for the sole use of Plan 3 participants and are the property of DRS.

DRS will retain control of defining the required style, content, and approval of materials. Materials developed by the record keeper must be submitted to DRS for final review and editing, with adequate time, as determined by DRS, for DRS's review process. Publications must present an unbiased approach to investment information and should educate participants about all aspects of the plan(s), including retirement planning, investment options, performance and distribution selections. The information must explain TAP and self-directed options, and provide information about the record keeper's services. The record keeper is responsible for the design, HTML formatting where appropriate, printing, and mailing of the materials.

Publications and forms are mailed/shipped by the record keeper to school districts and/or DRS for distribution to participants. Specific materials as determined by DRS are mailed directly to participants' addresses of record by the record keeper. These materials may include, but would not be limited to: confirmation letters, letters announcing new plan options, updated brochures, e.g., investment brochure. The record keeper also responds to individual participants' requests for publications and mails them to the participant address of record. See "Publication Request Report," Exhibit D, for activity and publication information.

The record keeper develops and includes Plan 3 quarterly investment performance summaries with participant quarterly statements of account (see Exhibit E) and mails the statements and quarterly summaries to participants' addresses of record. The quarterly investment performance summaries include other information about Plan 3 and are subject to final review and edit by DRS. (See "TRS Plan 3 Report," Exhibit E.)

Web Site

The record keeper maintains a Web site for Plan 3 information, including the current schedule for investment education seminars. This Web Site must be a unique site for the use of TRS Plan 3 and/or SERS Plan 3 members only. The record keeper Web site also has links to the Web site maintained by DRS for Plan 3 participants. (To review the site maintained by the current record keeper, ICMA Retirement Corporation (ICMA RC), go to <http://www.icmarc.org/trs3>).

DRS seeks to expand and improve the type of information currently provided on the record keeper Web site to provide more comprehensive information and service to participants. Enhancements the record keeper will be required to make to this Web site will include, but are not limited to, the ability to view the investment education video or CD ROM. The Web site will be for both TRS and SERS Plan 3 participants. The record keeper will work with DRS's web managers to provide consistent information. Respondents to this RFP should present ideas for expanding current offerings and describe the kinds of information they currently provide on their Web sites. Any Web site material provided by the record keeper for TRS Plan 3/SERS Plan 3 is customized and for the sole use of TRS and SERS Plan 3 participants and potential participants.

Financial Modeling Software

DRS and its record keeper currently do not provide financial modeling software for TRS Plan 3 participants; however, this is a service DRS wants to offer in the future for TRS Plan 3 and SERS Plan 3 participants. This modeling software must be customized for the Plans by the record keeper, subject to DRS review and approval. The software must allow Plan participants to calculate:

- The impact of various contribution amounts on their take-home pay,
- Their future account balances at various returns and contribution levels,
- How much income they will need during retirement,
- The amount of expected Plan payments during retirement under various pay out options and assumed rates of return, and
- Minimum distribution amounts.

This software must be:

- Available on laptop computers used by record keeper representatives at in-person educational meetings,

- Available through the Website the record keeper will provide for the Plans, and
- Provided to DRS for its use in counseling Plan participants.

In-Person Communication Services

In addition to written publications, DRS desires the record keeper to prepare presentations, video(s), and/or CD ROM(s), subject to DRS's approval. The materials are for use in in-person investment education or in place of investment education seminars and will explain the plans and investment options.

Currently DRS has an investment education video provided by the TRS Plan 3 record keeper. DRS will want the new record keeper to create a customized investment video for members of SERS Plan 3. These materials must be updated by the record keeper when necessary due to changes in investment options, plan rules or procedures or other changes, subject to DRS's approval.

For SERS Plan 3, beginning in September 2000, the selected record keeper will be required to conduct a full schedule of initial investment education group meetings to educate potential participants about the plan. SERS Plan 2 participants already will have had the opportunity to attend transfer education seminars and received various print and video materials explaining the implications of transferring from SERS Plan 2 to SERS Plan 3. The vendor to provide those transfer education services will be selected in Fall 1999. Transfer education seminars will be conducted beginning in early 2000 and may continue through February 2001.¹

Those SERS Plan 2 participants interested in transferring will be encouraged to attend these initial investment education group meetings to learn more about the investment choices under SERS Plan 3 as well as how to make investment elections. These presentations must include the basics of investing, including investment concepts and investment risks and returns and how the Plan's options fit on the risk/return continuum. The group meetings will be conducted with groups no larger than 25 throughout the state at times appropriate to the schedules of the target audiences. The record keeper will be required to conduct a minimum of 350 meetings with a minimum of one seminar at each location in the state that has 50 or more eligible participants (estimated 150 locations). Respondents should include the cost per additional day of meetings in the Fee Proposal.

After the initial investment education seminars, the record keeper will be required to conduct ongoing investment education seminars as needed, as determined by DRS, for both TRS Plan 3 participants and SERS Plan 3 participants. During

¹ A separate RFP to select the transfer education consultant will be issued by DRS in July 1999. The Record Keeper selected by DRS for SERS Plan 3 and TRS Plan 3 record keeping is excluded from selection as the consultant for the transfer education program.

1998, the current TRS Plan 3 record keeper conducted 175 seminars attended by approximately 2,000 participants. It is expected that a minimum of 175 investment education seminars will be presented annually throughout the state. These seminars would accommodate both new and existing participants of TRS Plan 3 **and** SERS Plan 3. These presentations will include basics of investing, including investment concepts and investment risks and returns and how the Plans' options fit on the risk/return continuum. The seminars must also describe the differences associated with the monthly valued TAP fund and the daily valued self direct options. All seminars must be conducted by educational personnel qualified to provide information on the investment offerings under the plans.

Respondents should base their Fee Proposal on presenting a minimum of 175 seminars per year. If Respondents propose conducting more meetings, this should be indicated, with the associated cost, under Additional/Deleted Services in the Fee Proposal.

2.1.2 ENROLLMENT

Under TRS and SERS Plan 3, a new member currently completes up to three different forms at time of enrollment:

- an enrollment/rate selection/investment manager form,
- a beneficiary designation form, and
- an allocation/balance transfer form, if the member selects the self-directed option.

Currently the enrollment and beneficiary forms are developed by DRS and returned to DRS, and the allocation form is developed by the record keeper and returned to the record keeper. The participant completes the form and submits it to his or her employer to set up the deferral in the payroll system. DRS is considering eliminating the enrollment form and combining the beneficiary and allocation forms into a single form that would be submitted to DRS.

DRS will enter the allocation and beneficiary information into a data file that is suspended until the enrollment information is received from the employer. The employer will transmit the participant enrollment information (name, address, birth date, gender, employer name and begin date) to DRS when the initial deferral is reported. DRS will merge this data with the participant investment allocation and beneficiary information and transmit the complete record to the record keeper to establish the participant account and to invest the deferral. The record keeper must invest deferrals within 24 hours of receipt.

The record keeper selected as part of this RFP process will receive a data file from DRS through electronic transmission with the information necessary to set up the participant's account record. This information will include the amount of

the participant's contribution as well as the other information documented in the Participant File Records Layout (see Exhibit F). It is expected that a data file containing this information will be transmitted to the record keeper daily.

DRS is considering eliminating the enrollment form and combining the beneficiary and allocation forms into a single form that would be submitted to DRS. DRS would transmit initial investment allocation data to the record keeper. Future changes to a participant's investment allocation would be made directly by the participant with the record keeper.

DRS transmits new enrollment data to the record keeper daily. Data must be posted and available on the record keeper's record keeping system within one business day of receipt of data. The record keeper will also be required to mail to participants, at their address of record, confirmation of enrollment letters confirming the participant's beneficiary, contribution amount, and investment allocation. These letters must be mailed within five (5) business days of the record keeper's receipt of the enrollment information from DRS. The record keeper will be required to mail with the enrollment confirmation letter a packet of information including material as determined by DRS.

2.1.3 CONTRIBUTION PROCESSING

DRS collects participant contribution data received from the various school districts. A school district submits the detail for each payroll (or correction payroll) to DRS for balancing. Once DRS has balanced the contribution data with the amount deposited to the Office of the State Treasury, DRS transmits Self-Directed and TAP contribution detail to the record keeper. DRS transmits this data via electronic data transmission and makes a transmission virtually every business day.

The record keeper must process the participant contribution detail sent by DRS, including negative contributions and adjustments, using each participant's current investment manager and investment allocation election if the participant is in the Self-Directed program. If no investment allocation for the Self-Directed option is on file with the record keeper, participant contributions default to the Money Market Fund.

Short-Term Investment of Contributions

Because State law requires that the Office of the State Treasurer wire the funds for the contributions withheld from each participant's pay within 24 hours of its receipt of these funds from each school district, the record keeper receives funds prior to receiving the contribution detail from DRS. The detail is usually received by the 15th of the following month, which is usually one to three weeks after the record keeper receives the funds.

While waiting for receipt of the contribution detail from DRS, the record keeper must deposit the pending contribution funds in the Plan's Short-Term Investment Fund (STIF). When the detail is received, the record keeper must balance the detail to the money received earlier and post the transactions to the participant accounts "as of" the date the money was actually received by DRS. The appropriate portion of the STIF's earnings is allocated to each participant account. For example, if a participant's contribution was wired to the STIF by the State Treasurer on the 8th and the contribution detail was received by the record keeper and posted on the 20th, the participant will receive a share of STIF earnings based on the amount of the participant's contribution and the 12 days that it was in the STIF. In this example, a participant might have had a \$100 contribution that when actually posted to his/her account was \$101. STIF earnings are separately identified in posting the contribution to the participant's account and are reflected as earnings. (See the sample participant statements of account, Exhibit E.)

Crediting Contributions to Investment Options

Once a contribution is posted on the "as of" date, it is handled differently if the contribution is made to the TAP fund or the Self-Directed investment options.

Self-Directed

For the Self-Directed investment options, the record keeper invests the money with the investment provider within one (1) business day of the "as of" posting date.

TAP Fund

Contributions cannot be invested in the TAP Fund until the beginning of the next month. For example, contributions posted during the month of March are not sent to the Washington State Investment Board (WSIB) for investment until the beginning of April. Since the TAP Fund has almost a month lag in its valuation, it is necessary to segregate the current month contributions from the prior month contributions – in this example, current month contributions are not credited for record keeping purposes until the end of April. April contributions begin in April, but the WSIB doesn't calculate the March 31st valuation of assets until about April 27th or 28th, so close-out for March contributions doesn't occur until the end of April. During the March month-end valuation process which occurs at the end of April, the March contributions are "swept" into the TAP Fund but do not receive the March valuation (since they received STIF for March). They then are part of the Fund and receive April TAP Fund earnings (which aren't reflected in the participant's account until the end of May).

Suspense Items

When an employee contribution or transaction is requested and, due to lack of sufficient information or other causes, it is unclear how it should be processed, the record keeper suspends that item. The record keeper maintains a subsidiary record of all suspense items, prepares a daily edit report of all items, and transmits the

edit report to DRS each day by 4:00 p.m. Pacific Standard or Daylight time. The record keeper researches and resolves each item on the edit report within seven (7) business days or less. DRS provides assistance as necessary to resolve suspense items.

If there is a change in investment value, including interest, between the time the suspense item should have been invested and the time it is ultimately invested, if the investment value has increased, and the record keeper caused the suspense item to occur, the record keeper contributes the difference between the initial contribution amount and the price of the investment when it is actually purchased. In the event the investment value has gone down, the entire initial contribution amount will be utilized to purchase the investment at its current price so that this is no gain or loss to the record keeper. Conversely, if the error is made by DRS, the record keeper is required to calculate the lost earnings and notify DRS of this additional amount within three (3) business days.

The record keeper maintains and reports to DRS a monthly suspense account balance reflecting all unpaid and uncleared transactions with corresponding occurrence dates. The record keeper is not responsible for errors made or failure to provide information by DRS, participants, or investment managers.

Special Processing

In addition to regular employee contributions, there are a number of special contributions that must be processed, including:

- Service Credit Purchase
- Substitute Teaching
- Military Service Credit
- Gain sharing
- Transfer Payment

The record keeper must account for these special contributions separately and they must be reflected on the participant statement of account (Exhibit E).

Vesting/Transfers of Employment

Since these are employee mandatory contributions, employees are always vested 100 percent in their Plan 3 account balance. All service data is maintained by DRS and does not need to be reflected on participant statements. If a participant changes employers, DRS will notify the record keeper of the change in the employer identification code through its regular electronic transmission of data.

2.1.4 CHANGES TO INVESTMENT ALLOCATIONS

Participants can elect to have their contributions made to the TAP fund **or** to the Self-Directed investment options. Participants cannot direct contribution to TAP

and Self-Direct simultaneously. However, participants are permitted to change the future allocation of their contributions.

Participants Contributing to TAP

Participants can request to cease directing contributions to TAP and direct future contributions to the Self-Directed options. The record keeper is required to facilitate this change and the participant must be able to make the election by:

- Completing a paper form and mailing it to the record keeper,
- Calling the record keeper's customer service center, or
- Using the record keeper's voice response system or the Plan 3 interactive Web site.

Participants Contributing to Self-Directed Options

Participants can request to cease directing contributions to the Self-Directed options and direct future contributions to TAP. Participants can also elect to change how their contributions are directed among the Self-Directed options. The record keeper is required to facilitate these changes and the participant must be able to make an election by:

- Completing a paper form and mailing it to the record keeper,
- Calling the record keeper's customer service center, or
- Using the record keeper's voice response system or the Plan 3 interactive Web site.

2.1.5 INVESTMENT TRANSFERS

Within Self-Directed Investment Options

The record keeper will be required to permit participants with assets in the Self-Directed investment options to make transfers of assets within the Self-Directed Options on a daily basis by:

- Completing a paper form and mailing it to the record keeper,
- Calling the record keeper's customer service center, or
- Using the record keeper's voice response system or the Plan 3 interactive Web site.

The record keeper must compute the amount of transfers between the Self-Directed investment options for all instructions received in good order from the participant by 4:00 p.m. Eastern Standard/Daylight Time using that day's NAV, closing price or value. Currently, since the Plans are managed by only one company (SSGA), the record keeper must only instruct SSGA to make the appropriate changes among the options. Based on possible changes to the Self-Directed investment lineup (see below), in the future the record keeper may be required to wire transfer appropriate amounts to/from more than one investment

provider within the time limits permitted by the agreement with each investment provider.

To/From TAP Fund and Self-Directed Options

Participants have the ability to transfer assets between the monthly valued TAP fund and the daily valued Self-Directed funds. Since the TAP fund is monthly valued, requests for transfers to and from this fund must be pended until processing at month end. Transfers are netted, and the WSIB and SSGA are advised of the net amount. Money is then transferred on the second business day of the next month. The record keeper mails a single confirmation statement to the participant reflecting both sides of this transfer. The statement must be mailed to participants within five (5) days of the transfer.

2.1.6 DISTRIBUTIONS

In-Service

No in-service distributions are permitted under the plans.

Termination/Retirement

School districts notify DRS of all terminations and retirements. In its regular data transmission, DRS notifies the record keeper of the change in the employee's status code. Participants are permitted to leave their contributions in the Plan until their required starting date, the April 1 following attainment of age 70-1/2.

Participants who wish to initiate distribution of their account complete a distribution election form. Currently, the distribution of the participant's account balance is coordinated by DRS. Disbursement for Self-Directed assets are made by the record keeper, and DRS issues disbursements for the TAP portion; however, changes are anticipated as described below.

Distribution Options

Only lump sum payments and rollovers are permitted from the TAP fund. In addition to the ability to rollover to other qualified plans, many payment types, including annuities and personalized payment schedules, are permitted from the Self-Directed options and are described in the "Distribution Options" included in Exhibit B. Data on recent distribution activity is included in the Employee Retirement Benefits Board (ERBB) Monthly Report, Exhibit G.

The record keeper will be required to provide an annuity shopping service for Self-Directed participants who wish to receive their distribution as an annuity. For participants in the Self-Directed program who are considering annuity distribution, the record keeper will provide annuity distribution illustrations and make the annuity purchase for the participant. The record keeper must obtain purchase rates from at least three (3) companies that meet minimum qualifications agreed to by DRS.

DRS may consider adding an internal annuity distribution option for TAP. This annuity would be provided by the WSIB. The record keeper would be required to coordinate with DRS to obtain the annuitization rate and coordinate the annuitization for the participant.

Distribution Processing

In future, the record keeper will process both Self-Directed and TAP withdrawals. DRS will receive the termination date information from the employer and electronically send it to the record keeper.

Under this restructuring, DRS will provide distribution counseling and information, and participants wishing to initiate payment of their Plan 3 account balance will be instructed to send their distribution election form to the record keeper. The record keeper will issue payments by check, electronic direct deposit and wire or electronic fund transfer for all participants with the appropriate authorization code. The record keeper must provide written confirmation to the participant and DRS for payments made by electronic direct deposit, wire or electronic fund transfer.

It is expected that benefit payments from TAP and the Self-Directed options will be combined into one payment. Since the TAP fund is valued monthly, lump sum payments cannot be paid until the end of month following the month-end valuation. For example, if a participant wishing to take a lump sum payment submits a fully completed form to the record keeper on May 20th, the lump sum payment will be the participant's TAP fund account value on May 31st. Since the May 31st valuation is not calculated by WSIB until about June 25-28, the amount of the payment must be calculated and processed after the June month-end processing.

For participants with assets in both TAP and the Self-Directed options, the record keeper will be required to coordinate the valuation and distribution so that the participant receives one check reflecting the participant's account balance in both types of funds. This combined processing will also be required for participants receiving periodic payments.

The record keeper is responsible for all participant federal and state income tax withholding and reporting for each benefit payment from the Plans. The record keeper shall be solely responsible for any tax penalties and/or interest that may arise due to errors it made in tax reporting or forwarding of funds to the appropriate government authorities.

Death Benefits

Upon notification from DRS of the death of a participant receiving periodic distributions, the record keeper shall cease benefit payments and make the necessary changes to begin making instructed payments to the participant's

beneficiary(ies). The record keeper makes corrections and adjustments to income tax withholding and deposits as necessary, as instructed by DRS.

2.1.7 RECORD KEEPING

This procurement is for record keeping services only. The WSIB may make changes to the investment management services provided to the Plan(s) which would be obtained through a future procurement process. The Successful Respondent will not be prohibited from proposing to provide investment management services; however, the WSIB will conduct any procurement process without regard to any company's role in providing record keeping services to the Plan(s).

The record keeper will be required to provide record keeping for participant accounts for both the monthly valued TAP fund and the daily valued Self-Directed options. (See TRS Plan 3 and SERS Plan 3 Summary on page 6 and "Investment Guide" included in Exhibit B.)

Changes to Fund Managers

All decisions regarding the investment funds and fund managers offered under the Plan(s) are made by the WSIB. The WSIB functions as the investment advisor to the Plan(s). The WSIB conducts periodic reviews of the investment funds/managers and recommends changes to the funds/managers, as appropriate.

It is possible that, as a result of WSIB's ongoing review and advice, there may be changes to a fund's sub-management at any time. The record keeper must assist DRS in implementing any changes to the underlying fund managers and communicating them to participants at the investment education group meetings described in Section 2.1.1, In-Person Communications Services. Since the investment options are communicated to participants by fund type only, any changes made by the WSIB would be transparent to participants.

DRS recognizes that Respondents must be able to calculate their proposed fees based on the complexity of possible investment lineups and potential changes to that lineup. While no immediate changes are expected to be made to the current fund lineup, it is possible that during the course of the contract the current fund options might increase to a maximum of 15 options. It is estimated that up to two (2) fund sub-advisors could change per year and that the record keeper might have to interface with as many as six (6) different sub-advisors at any given time. The lineup could also be expanded to include up to three (3) age- or retirement-date- related pre-mixed portfolio funds. No significant changes are expected to be made to TAP.

Investment Valuation

TAP Fund

The record keeper will be required to provide monthly valued record keeping services for the TAP fund, which is part of a Commingled Trust fund managed by the WSIB. WSIB notifies the record keeper by FAX of the month-end value of TAP fund assets approximately 25 – 28 days after the end of the month. The valuations are net of all investment management fees and expenses.

Once the previous month-end valuation is received from the WSIB, the record keeper runs the month-end process on the second to last business day of the following month. Transactions posted during this process include contributions during the period, adjustments, benefit payments, and transfers to and from the TAP fund and the Self-Directed options. Money can go in and out of TAP only once a month.

Self-Directed Funds

The Self-Directed funds are valued daily. They are unitized funds. The daily unit values are provided by SSGA, the current fund manager, as of the close of each business day. The unit values are net of SSGA's investment management fees and WSIB's investment advisory fee. The record keeper's fees are currently also netted out of the daily unit value.

Pre-Mixed Portfolio Funds

The record keeper must also be able to provide record keeping for the three pre-mixed portfolio options (model portfolios) offered under the plans. These pre-mixed portfolios consist of the following static percentages of the underlying plan investment options:

Portfolio	Conservative Growth	Moderate Growth	Aggressive Growth
Fund Percentages	75% Bond Market Fund	45% Bond Market Fund	20% Bond Market Fund
	20% U.S. Stock Market Index Fund	40% U.S. Stock Market Index Fund	60% U.S. Stock Market Index Fund
	5% International Stock Index Fund	15% International Stock Index Fund	20% International Stock Index Fund

Record keeping for these pre-assembled portfolio funds will require that the record keeper be able to split the participant directed contributions to each underlying investment fund according to this preset mix. The WSIB may also wish to change the underlying fund mix and/or percentages.

The record keeper will be required to rebalance the fund proportions on a monthly basis. Your response to the RFP should fully describe your approach, such as unitizing, to maintaining the value of these investment options.

Account Information

The record keeper maintains records associated with an individual's account, including, but not limited to: investment balances, contributions (all types), distributions, earnings, administrative fees, work location, address, beneficiary designations, and any other information necessary for the proper administration of a participant's account. For retired/terminated participants, there is additional data maintained by the record keeper.

The record keeper processes all changes to individual participant data received from DRS. Details and the record layouts provided to the record keeper by DRS can be found in Exhibit H.

The record keeper is also responsible for collecting all administrative fees from participant accounts to cover costs of plan administration, as determined by DRS.

The structure of the fee schedule has not been determined. The fees may be collected on either a disclosed basis or undisclosed basis (netted from returns prior to crediting of returns) or both. The fee schedule may be a per-participant fee, an asset-based fee or a combination. DRS may also require the record keeper to collect fees in a manner that would limit the amount of fees collected on large individual account balances such as a graduated asset fee. The fees collected will be different for participants' accounts invested in TAP and participant accounts invested in the Self-directed options.

The record keeper may be required to enter into contractual arrangements, on DRS's behalf, with investment companies providing services to the plans. The contractual arrangements may include preferential timing of transactions and/or obtaining compensatory payment for conducting individual participant account record keeping. Any payments negotiated by the record keeper, DRS or its representatives would need to be collected by the record keeper and used to offset plan costs on a disclosed basis.

DRS is responsible for qualifying and approving all information and distributions related to Qualified Domestic Relations Orders (QDRO). However, upon qualification of a QDRO, DRS will notify the record keeper of the terms of the QDRO. While DRS is the primary record holder, the record keeper maintains on its record keeping system a field in which QDRO information is recorded and updated. Segregated account balances, as required, are maintained by the record keeper.

Participant Statements

The record keeper is required to prepare and mail to the participant's address of record, quarterly participant statements of account activity that shall include beginning and ending balances and activity during the period (contributions, withdrawals, investment returns). All information shall be provided in both dollars and share/unit value. (See Exhibit E, sample participant statement.) The statements include plan-to-date contributions, comparative charts of asset allocation, year-to-date contributions, and net gain or loss, as well as the various special reporting features, including:

- Pending transaction account
- STIF balances (should net to 0 at end of quarter)
- Plan entry date
- Special contributions, such as bill payments, gain sharing, etc.

The record keeper must send the statements of account activity to participants' addresses of record no later than twenty (20) calendar days following the quarter's end; for TAP participants, twenty (20) calendar days from the end of the final month of the quarter's evaluation (e.g., the June 30 statement for TAP would be mailed by August 20). A quarterly newsletter shall be provided by the record keeper, edited and approved by DRS. The record keeper will be responsible for printing the newsletter and inserting it into the quarterly statements of account.

Plan Level Reporting

As indicated on page 21, and based on suggested changes, the report requirements may change. The record keeper currently provides a variety of reports to DRS, which include the following items:

1. The record keeper electronically transmits to DRS the prior night's activity. In addition, the record keeper sends a daily feedback file that contains the detail of the dollars that will be wired to DRS as well as information on any disbursement from the Self-Directed option performed by the record keeper, account balance for TAP participants who have requested a withdrawal, and TAP to SELF transfer information. The daily file contains the following items:
 - Contribution Back-out
 - Installment Payment by Record Keeper
 - Minimum Disbursement by Record Keeper
 - Negative adjustment
 - TAP to SELF and SELF to TAP transfers
 - Negative transfer
 - Withdrawal (either by record keeper if for Self-directed or for DRS to disburse if for WSIB)

The daily wire contains dollars for the following items:

- Contribution back-out
- Negative adjustment
- Negative transfer
- SELF to TAP transfer

2. Weekly reports to the WSIB of estimated movement to/from the TAP Fund.
3. Separate monthly and quarterly reports on all activities in each plan, for DRS and each participating employer and/or agency as designated by DRS. In addition there are some daily financial activity reports. The type of reports and/or the kinds of information required include, but are not limited to, the following information:
 - a) Total number of participants in the plans.
 - b) Number of new participants in the plans, broken down for the period and cumulative for the year.
 - c) Total employee salary contributions and withdrawals, broken down for the period and cumulative for the year to and from each investment provider.
 - d) Assets in the plans, broken down by investment provider at the end of the reporting period and cumulative since the beginning of the year. Differences between the monthly allocation of investment funds and deposits for each investment option shown on the requested report is explained by a footnote.
 - e) A statement of the rate of return, broken down by investment provider for the reporting period and cumulative for the year.
 - f) Benefit distribution reports.
 - g) Amounts deducted from participant accounts by the record keeper for administrative fees and reconciliation of all charges to participants' accounts.
 - h) Number of conversion to annuities.
 - i) Daily activity report for each investment type.

- j) Daily activity summary report for each investment option (WSIB, Self).
 - k) Notification of wire transfer to DRS.
 - l) Report of electronic data transmission from the record keeper (dollars by activity type).
 - m) Monthly financial statements – trial balance, balance sheet and statement of changes in net assets.
 - n) Investment valuation statements for each investment option, investment type.
 - o) Annual financial reports.
 - p) A monthly summary of transfer activity.
- 4. Monthly asset fee reports sent to DRS by the fifth business day of the month for the prior month, with supporting documentation for the WSIB and record keeper fees as well as an estimate of the SSGA fees.
 - 5. Monthly reports on service center quality and performance including, but not limited to, activity, purpose of calls, abandoned calls and on voice response system and Internet usage. (See Exhibit I for a sample activity report.)
 - 6. Bi-monthly financial update report to support WSIB in reports prepared for the Employee Retirement Benefits Board (ERBB), and an annual report to DRS.

The record keeper shall provide DRS with detailed costs associated with any new or proposed legislatively mandated programs that would materially change the TRS Plan 3 or SERS Plan 3 program. In addition, the record keeper prepares and maintains special purpose reports and other material as determined by DRS to be necessary for the proper administration of the plans.

On-Line Access

DRS requires the ability to read participant data on the record keeper's system. The record keeper must provide DRS with a method, in a format acceptable to DRS, to accomplish this.

If a member cannot use technology to make balance transfers and/or allocation changes directly, then a paper form is still available. The form typically will be

sent to the record keeper by the participant. In the event it is sent to DRS, DRS shall use electronic transmission to update those items.

The record keeper must maintain a data monitoring system that flags transactions from DRS, the record keeper or participants that are a change to a participant initiated change through the record keeper's voice response system.

The on-line system must be compatible with DRS's current computer system, or some other alternative acceptable to DRS. The on-line system must provide DRS with connectivity to participant data, which is current as of the completion of the valuation process for the prior business day.

2.1.8 CUSTOMER SERVICE

The record keeper shall maintain an adequate number of staff and an adequate number of toll-free telephone lines with voice response capabilities and Internet access to provide the required services. Both VRU and Internet access will be available 24 hours a day with the exception of the time necessary for the normal maintenance of the system and updating of information. This telephone number must be TDD/TTY capable. The VRU must provide the following information and services to the participant from a touch-tone telephone:

1. General plan overview information including how to reach a customer service representative at DRS, how to reach the various investment firm's customer service representative, and other topical information.
2. Current account balance, broken down by investment option and broken down by each plan (if applicable)
3. Current interest rates
4. Current unit values or share prices
5. Daily changes in share prices or unit values
6. Inquiries about current investment election (allocation of contributions)
7. Changes to allocation of future contributions
8. Transfers of existing assets between investment options
9. Change of PIN (Personal Identification Number)
10. Requests for plan informational brochures and forms

The client service representatives must be available to answer participant questions between the hours of 8:00 a.m. Pacific Standard/Daylight Savings Time and 6:00 p.m. Pacific Standard/Daylight Savings Time each business day. Participants initiating transactions via client service representatives shall receive a confirmation number followed by a written confirmation, which shall be mailed directly to the address on file for the participant within three (3) business days.

The record keeper shall ensure that the personnel answering the customer service line are qualified to provide information on the investment offerings under the

Plans and to discuss investment concepts and retirement planning considerations. The record keeper shall ensure that such information be provided in a manner consistent with the requisite insurance and securities laws and that all personnel who provide such information shall be properly licensed with all required regulatory agencies, if applicable. At the request of a participant, the record keeper shall review and explain investment alternatives and past investment returns. If unavailable at the time of a phone call, the record keeper's representative shall call back a participant on the next business day. The record keeper must provide telephone assistance to participants who are taking a distribution under the plans, and advise participants of payment options available.

Inquiry services available through the VRU and Internet must utilize most currently available share prices, unit values and account balances as of the previous day.

Changes to investment allocations must be made to the participant's record the date they are requested. Investment transfers received by 4:00 p.m. Eastern Standard/Daylight Time must be made on the next business day using the previous day's net asset value (NAV) or value.

Participants using the VRU or Internet access to effect a transaction shall receive a confirmation number followed by a written confirmation, which shall be mailed directly to the address on file for the participant within three (3) business days. An error committed by the record keeper through the VRU, the Internet or in regular processing shall be corrected and processed as of the effective date of the original transaction.

Any errors made by the record keeper shall be corrected at the record keeper's expense so that the value of the participant's account is not less than it would have been had the error not occurred. Written confirmation of the correction shall be mailed to the address on file for the participant within five (5) business days after the correction of error.

The record keeper must respond to participant questions and complaints. Any complaints not resolved within 30 calendar days will be brought to DRS's attention by the record keeper.

The record keeper must provide a proposal for DRS review and approval for formally assessing member satisfaction with the record keeper's services and how member and/or employer satisfaction issues would be identified, reported, and corrected.

2.1.9 COMPUTER SECURITY

The record keeper must provide a description of the record keeper's information systems infrastructure year 2000 compliance to DRS and provide updates to this description as may be necessary due to material changes.

The record keeper must keep duplicate or back-up computer data files maintained in connection with the plans at an alternate site. Maximum recovery time can be no more than 24 hours. Additionally, the record keeper must have a disaster recovery plan in effect and will be required periodically by DRS to provide evidence that the system has been tested within the most recent 12 months.

The record keeper must also demonstrate to DRS that the system used for record keeping for SERS and TRS must have an adequate capacity to handle the volume of records generated and daily transmittals.

All computer data files of the plans, as maintained by the record keeper, shall at all times remain the property of DRS notwithstanding the fact that such records may be stored upon or within one or more computer or data retention systems owned, operated or leased by the record keeper. DRS or its representatives shall, at all reasonable times, have access to the records. To the extent that any such records are to be maintained upon a computer system or any other data retention system which is not owned by the record keeper, the record keeper shall provide DRS with assurances from the owner of such computer facilities, satisfactory to DRS, of the continued availability and security of such records at all times. The record keeper shall also provide a description of such computer facilities' year 2000 compliance to DRS and provide updates to this description as may be necessary due to material changes.

The record keeper must also demonstrate to DRS that the system used for record keeping for SERS and TRS will have an adequate capacity to handle the volume of records generated and daily transmittals.

2.1.10 PLAN LEVEL SUPPORT ACTIVITIES

DRS may require adjustments to participant accounts due to occasional discrepancies in the contribution detail provided to DRS by school districts. The record keeper provides cost estimates to DRS and makes the corresponding adjustment to participants' accounts. DRS wires the money to the record keeper two days later to cover the cost of the adjustments. The record keeper sends a letter to the participant and the participant's employer explaining the dollar cost for the adjustment.

The record keeper sets up on DRS's behalf all investment-related accounts.

The record keeper collects from participant accounts all administrative and transactional fees in the form and manner directed by DRS. It is expected that the new fee structure may include an asset based, a per-participant schedule, or a combination. If an asset based fee is charged, it may have a graduated component so that participants with large account balances will pay less as a percentage of their account balances, although there may continue to be a flat dollar component to the fee schedule. There may also be transaction-based fees. In addition to the capacity to deduct fees from participant accounts in a variety of ways.

The record keeper reconciles investment accounts for each plan with investment providers, trust and custody records, and DRS records monthly and provides a copy of the monthly financial reports and reconciliation summary to DRS within ten (10) days of month-end. The monthly financial report reconciliation summary for each plan shall be in a form acceptable to DRS.

The record keeper must provide copies of the statements of account activity on CD-ROM to DRS within ten (10) days after 95 percent of the statements have been mailed.

The record keeper shall provide, 30 days prior to the implementation date, a manual of tasks, rules, and procedures for operation of the plans, including a description for record keeper employees of how all services to be provided hereunder are to be performed. The record keeper shall review this manual and update it if necessary, and shall submit such changes to DRS for review and approval.

The record keeper shall have adequate qualified personnel available to conduct at DRS offices, at least semi-annually, complete and detailed training sessions for DRS staff on the record keeper's systems and processing methodology, including instruction on how to use the on-line access system.

The record keeper shall perform any and all administrative functions necessary to ensure the thorough and accurate financial accounting essential for each party's financial records.

The record keeper shall research and resolve, with DRS's assistance, any participant statement of account not received by the participant but returned to the record keeper and provide a summary report to DRS within 30 days of mailing of statements.

The record keeper shall ensure that DRS has a qualified account service representative available on a fully dedicated basis to provide timely and comprehensive assistance with all aspects of the record keeper's services.

2.1.11 IMPLEMENTATION OF SERVICES FOR SERS PLAN 3

The record keeper must have its record keeping system for SERS Plan 3 tested and functional no later than August 1, 2000, and have an implementation team on-site in Olympia, Washington, by May 1, 2000.

2.1.12 TRANSITION PLAN FOR ASSUMPTION OF TRS PLAN 3 SERVICES FROM CURRENT RECORD KEEPER

The record keeper must provide any requested advice related to the transition and record keeping to DRS during the transition, and establish written and actual procedures for handling all participant activities.

The record keeper shall accomplish the following tasks during this transition period:

1. Provide a migration plan that outlines the specifics on how the migration process to transfer TRS Plan 3 record keeping will be completed. A record keeper migration team must be on-site in Olympia, Washington for the three (3) month period before and the one (1) month period following the effective date of the assumption of record keeping services.
2. Send a written communication to all participants telling them of the change of record keeper's and describing the various services the record keeper will be providing and how to access them. A brochure on how to use the VRU and Internet access must be included.
3. Establish contacts with appropriate DRS staff and departments.
4. Hire necessary staff.
5. Establish participant master files.
6. Take receipt of current participant files (magnetic tape or electronic transmission) from the current record keeper.
7. Set up interfaces with all investment fund companies and WSIB and arrange for change of authorizations as needed.
8. Pay a financial penalty of \$1,000 per day for each day that the record keeper misses the agreed upon conversion dates.
9. Cooperate with DRS to establish administrative rules for operation of the plans as may be required and prepare a Manual of Tasks, Rules, and Procedures for use by DRS.

10. Establish written and actual procedures for handling all participant activities including employee contributions, rollovers, and termination/withdrawals.
11. Train DRS staff on accessing and using the record keeping system.

The record keeper's assistance shall be provided in such a manner that a transition plan audit can be completed by DRS within 120 days after the implementation date.

2.1.13 CONTRACT TERMINATION

Upon termination of the contract, the record keeper shall cooperate with DRS to the end stated effective date of the termination in an orderly transfer of administrative responsibilities and records to DRS or its representatives. Specifically, the record keeper will provide the information and services as stated in this section. In the event that DRS elects not to renew its contract at the end of its term or extension, or otherwise terminates the contract for any reason, the record keeper agrees to cooperate in the transition to the new record keeper.

This contract may be terminated for cause by DRS thirty (30) days from receipt of written notice from DRS to the record keeper without the payment of any financial penalty or obligation to the record keeper by DRS. For purposes of this contract, cause is defined as failure of the record keeper to fulfill the obligations of this contract.

If the reason for contract termination is sub-standard or unacceptable performance, after receipt by the record keeper of a notice of termination, there shall be a 60-day cure period. During the cure period, the record keeper is obligated to continue to provide all services outlined in the contract including the services causing this provision to be enacted. If the record keeper remedies the cause for termination within such cure period in a manner acceptable to DRS whose acceptance shall be evidenced in writing and shall not be unreasonably withheld, the notice of termination shall not become effective. Otherwise, the Contract shall automatically terminate on the 61st day following receipt of such termination notice. DRS shall pay all fees accrued to the date of termination minus applicable penalties.

In the event DRS elects to contract with a new record keeper upon termination or expiration of its contract, the record keeper will fully cooperate with DRS and the new record keeper in making the transition. The record keeper will provide documents and computer files as described in this Section and generally assist the new record keeper and DRS in learning the content of such documents and files, or otherwise as will be mutually agreed upon between the record keeper and DRS.

The record keeper will have no written or telephone contract with participants except as authorized by DRS.

Data requirements of DRS to effect this transition/conversion to a new record keeper include, but are not limited to the following:

1. File descriptions and narratives for input and output files as will be mutually agreed to between the record keeper and DRS. The record keeper agrees to provide all information that resides in the record keeper's computer files relating to DRS participant accounts, including individual participant account history that DRS reasonably requires for the transition and for the permanent records of DRS;
2. Sub-contracted procedures or third-party agreements shall be fully documented by the record keeper, and all source documents and disclosures of participant selections or investments shall also be made available.

Reports, Information and Access Upon Termination

In the event that this Contract is terminated or is not renewed after the stated contract term or extension, the following account related materials, services and/or data will be provided by the record keeper to DRS:

1. A complete financial report for the plans including the latest activity by each investment provider company (deposits, transfers in and out, withdrawals, fee/charges, earnings and adjustments); also a full reconciliation of total plan assets as of the "close-out" date.
2. A listing of any items requiring adjustment/correction as of the "close-out" date.
3. Staff and records reasonably needed to allow for the timely completion of the annual financial audit of the latest plan year for the plans and to answer questions and to provide technical assistance during the transition period, such that the audit report can be completed within six months of the termination date.
4. All of the information described above plus a complete historic record for each participant of all contributions and withdrawals by type and the participant's years of participation.

2.1.14 COMPLIANCE

Plan Consulting

The record keeper shall inform DRS within 60 days of recently enacted federal tax laws and regulations, and all present or future federal tax legislation or other changes in the tax laws which may have an impact upon the record keeping and administration requirements of the plans. The record keeper must describe the nature of any amendments to the plans which may be required by changing conditions, federal tax laws or regulations, or which may make available to employees the most advantageous investment options and investment returns, and work with DRS legal counsel to evaluate and implement any amendments to the Plans.

Company Audits

The record keeper shall provide to DRS an annual audit report on the processing of transactions by service organizations as prescribed by Statement on Accounting Standards Number 70, issued by the Auditing Standards Board of the American Institute of Certified Public Accountants. Two copies of this report will be delivered to DRS not more than one hundred twenty (120) days after the close of the fiscal year.

Program Audits

The record keeper must provide access to DRS to all back-up source materials, reports, books, records, computer programs and all other information and documentation relating to each plan, as reasonably required so that DRS and/or its designated officers, agents and accountants, can conduct a financial examination and/or audit of the plans.

The record keeper will cooperate fully in the annual plan audits. A separate audit is conducted for each plan. The audits will be conducted in accordance with generally accepted auditing standards (GAAS) and will be performed on a fiscal year basis with a fiscal year ending June 30 of each year. In addition, these audits will include certain agreed upon test procedures, including but not limited to the following:

1. Reconcile between the trustee/custodian or other party's plan asset records, the DRS's records and the record keeper's participant records.
2. Reconcile revenue received by the trustee/custodian or other party with the specific revenue of the various investment options.
3. Test charges to plan assets and withdrawals from the plan to determine compliance with trustee/custodial agreements and plan provisions.

4. Test actual investments held by trustee/custodian or other party to determine whether they coincide with actual participant records.

Insurance Requirements

The record keeper shall execute and deliver to DRS, contemporaneously with the signing of the contract and prior to the contract's effective date, a performance bond in the sum of not less than \$2 million, conditioned upon and for the faithful performance and actual fulfillment of each and every term, condition, provision, and obligation of the record keeper and its officers and employees arising under this contract.

The contract shall require that the record keeper execute and deliver to DRS contemporaneously with the signing of the contract and prior to the contract's effective date, a fidelity and guaranty bond or policy of fidelity and guaranty insurance on the record keeper's officers and key employees directly involved in the administration of the plan payable to the DRS as named beneficiary in an amount of not less than \$5 million for each occurrence giving rise to payment of any part of such bond or policy.

The bond(s) or policy must be executed by an admitted company licensed to do business in State of Washington possessing a Best's Insurance Report policy holder's current rating of "A++", "A+", or "A", with a financial rating of Class VIII or better. The bond(s) or policy must be endorsed to give DRS 30 days notice of cancellation of coverage.

The bond(s) or policy shall not be obtained from a provider with whom the record keeper has one or more of the following relationships as defined in the Financial Accounting Standards Board Statement of Financial Accounting Standards Number 57.

1. Affiliate
2. Control
3. Immediate Family
4. Management
5. Principal Owners
6. Related Parties

Complaint Notification

The record keeper shall notify DRS within five (5) business days of discovering any errors that have an impact on the operation of the plans.

Confidentiality and Non-Solicitation

The record keeper shall not use information obtained under the plans to directly solicit participants with respect to any product of said company not part of the

plans. All information concerning the plans and participants is the sole property of DRS, and that information will remain confidential and will not be used or transmitted to others for any purposes whatsoever, except as required to conduct plan operations.

2.2 DEFERRED COMPENSATION PROGRAM

DRS currently conducts all marketing, enrollment, administrative, record keeping and customer service activities for the plans. DRS is interested in obtaining record keeping services and to assume some additional duties currently conducted by DRS. These duties include:

- a. Contribution fund splits -- directing contributions to the appropriate investment funds based on the investment election on file for each participant.
- b. Investment transfers -- effecting participant directed investment transfers between the plans' investment funds.
- c. Benefit payments -- effecting all State authorized participant requested benefit payments, including hardship withdrawals, from the investment funds.

2.2.1 COMMUNICATION SERVICES

The record keeper will assist and support the development of DCP marketing and education presentations and publications. DRS staff will conduct group presentations and one-on-one counseling at locations throughout the state.

Plan Communication Materials

One of DRS's objectives is to provide clear, concise and professional plan communication materials. The record keeper will be responsible for preparing, in consultation with DRS, all plan communications materials in both printed and HTML format (for posting on DRS's Intranet/Internet deferred compensation Web page). Preparation includes the design, HTML formatting, printing and, where necessary, the mailing of all materials, including the quarterly DCP newsletter.

The record keeper will also be required to assist DRS in designing a communication plan that will provide for regular, ongoing communication with Plan participants. This plan will include a description of the communication materials to be prepared (including a self-enrollment package discussed below) which is tailored to the plan; the frequency with which these materials will be distributed; and the method (e.g., statement stuffers, distributed at group educational meetings, left at employment locations and personnel offices, etc.). The record keeper will be required to print enough of the materials to ensure that there is an adequate supply of all materials.

DRS will prepare self-enrollment packages which will be distributed at group meetings, available at various State and local entity work locations, available to

be printed from DRS's Web site, and provided in response to an employee's request to the record keeper. The packages must present all information in a complete and concise manner so that an employee should be able to enroll in the Plan without assistance. DRS will be the primary contact for enrollment activities; however, the record keeper must also be staffed to provide enrollment counseling to employees who wish to discuss Plan participation over the telephone and assist employees with the completion of the enrollment form.

All enrollment forms will be sent to DRS. DRS will verify the completeness and accuracy of the forms, and will also be responsible for coordinating the establishment of salary deferrals and changes to deferral amounts with state, higher education, political subdivision and municipality employers.

The record keeper will also be required to provide, in December of each year, an annual marketing report to DRS. By this means, the record keeper will report annually on the status of the Plan. This report shall include current data on the Plan and participation levels as well as the status and resolution of any participant problems and developments in the delivery of 457 Plan services.

Written Communication Materials

The record keeper will be required to prepare brochures, publications and forms for participants. Copies of the brochures, publications, and forms produced by the record keeper currently provided to DCP participants are included in Exhibits K and L. DRS requires the selected record keeper to provide at a minimum these types of publications. The record keeper will be required to update forms and publications when necessary due to changes in investment options, plan rules or procedures or other changes. The record keeper may also be required to produce additional publications as required by DRS. All materials produced by the record keeper for DCP are for the sole use of DCP participants and are the property of DRS.

DRS retains control of defining the required style, content, and approval of materials. Materials developed by the record keeper are submitted to DRS for final review and editing. Publications must present an unbiased approach to investment information and should educate participants about all aspects of the Plan, including retirement planning, investment options offered, and performance and distribution selections. The information must provide information on record keeper services. The record keeper will distribute mutual fund prospectus to participants when a mutual fund is selected as an investment option or upon request.

Following approval by DRS, publications and forms are distributed by the record keeper to employers and/or DRS for distribution to participants. Specific materials as determined by DRS are mailed directly to participants' addresses of record by the record keeper. The record keeper also responds to individual

participants' requests for publications and mails them to the participant address of record.

DCP, with assistance from the record keeper, develops a quarterly investment performance summary newsletter that is included with participant quarterly statements of account produced by the record keeper. Currently, DCP mails statements and quarterly summaries to participants' addresses of record. However, DRS desires that the new record keeper print the DCP newsletter, which will be written by DRS, and mail it with the quarterly statements to participants' addresses of record.

Web Site

Currently, DRS maintains a Web site for DCP information. The Web site has links to DCP investment sites. (To review the DCP Web site currently maintained by DRS, go to <http://www.wa.gov/DRS/dcp/>). DRS requires the new record keeper to develop and maintain a Web site for DCP participants and is interested in expanding and improving the types of information currently provided. Respondents to this RFP should present ideas for expanding current information and describe the kinds of information they currently provide on their Web sites. Any Web site material provided by the record keeper for DCP is customized and for the sole use of DCP participants and potential participants.

Financial Modeling Software

DRS currently does not provide financial modeling software for DCP participants; however, this is a service DRS wants to offer in the future for DCP, to be developed by the record keeper, subject to DRS review and approval. This modeling software must be customized for DCP by the record keeper. The software must enable Plan participants to calculate:

- The impact of various contribution amounts on their take-home pay,
- Their future account balances at various returns and contribution levels,
- How much income they will need during retirement,
- The amount of expected Plan payments during retirement under various pay out options and assumed rates of return,
- Minimum distribution amounts, and
- Model portfolios.

This software must be:

- Available on laptop computers used by DCP representatives at in-person educational /marketing meetings and presentations,
- Available through the Web site the record keeper will provide for DCP
- Provided to DRS for its use in counseling Plan participants

Video

The record keeper will also be required to develop, with the input and approval of DRS, a videotape explaining the Plan and the self-enrollment packages. An adequate number of copies must be made available to DRS for use in the various State and local personnel offices and other locations. The record keeper will be required to modify and reproduce the video in the event of Plan changes.

2.2.2 ENROLLMENT SERVICES

All employees of the State and local participating governments are eligible to enroll in the Plan without a waiting period. While it is generally expected that employees will attend an educational meeting conducted by DRS staff prior to enrollment, this would not always be the case. Since participants can enroll in the Plan at any time, there must be a self-enrollment package that can be used by interested employees to enroll in the Plan. The enrollment package must be available in both printed format and as an HTML document on DRS's Web page. While DRS will be the primary contact to assist in enrollment, the record keeper must be able to provide needed assistance to all interested employees over the telephone by answering all questions regarding the Plan and its investments and assisting with the completion of the enrollment form.

Enrollment forms are completed by participants and submitted to their employers to set up the deferral into the payroll system. The enrollment form is then sent to DRS where it is reviewed for compliance. DRS enters the allocation and beneficiary information into a data file that is suspended until the enrollment information is received from the employer. The employer will transmit the participant enrollment information (name, address, birth date, gender, employer name and begin date) to DRS when the initial deferral is reported. DRS will merge this data with the participant investment allocation and beneficiary information and transmit the complete record to the record keeper to establish the participant account and to invest the deferral. The record keeper must invest deferrals within 24 hours of receipt.

The record keeper selected as part of this RFP process will receive a data file from DRS through electronic transmission with the information necessary to set up the participant's account record. This information will include the amount of the participant's contribution as well as the other information. It is expected that a data file containing this information will be transmitted to the record keeper daily.

DRS transmits new enrollment data to the record keeper daily. Data must be posted and available on the record keeper's record keeping system within one business day of receipt of data. The record keeper will also be required to mail to participants, at their address of record, confirmation of enrollment letters confirming the participant's beneficiary, contribution amount, and investment

allocation. These letters must be mailed within five (5) business days of the record keeper's receipt of the enrollment information from DRS. The record keeper will be required to mail with the enrollment confirmation letter a packet of information including material as determined by DRS. (See Exhibit M for data on enrollment activity.)

2.2.3 PLAN ADMINISTRATION SUPPORT AND CUSTOMER SERVICE ACTIVITIES

The record keeper will be required to mail to participants various requested plan administration forms and materials. These forms will include enrollment and change forms, spousal consent forms, beneficiary designation forms, investment transfer request forms, benefit payment deferral, commencement and payment method election forms and investment company prospectuses. Copies of the current plan administrative forms are included in Exhibit L.

The record keeper will be required to mail plan administration forms to all participants who make a written request through mail or the Internet or call the voice response line or a customer service representative. The record keeper will be required to absorb the costs of mailing the materials, including postage, in its Fee Proposal. It is expected that forms similar to the present forms will be used. There may also be the addition of several educational pieces that may be requested by DRS during the contract period. These educational pieces would give participants additional information on investments, retirement planning and distribution election considerations. There may also be new forms or communication pieces that will be prepared by the record keeper as the result of federal or state legislation affecting the Plan.

Currently DRS responds to all participant questions and requests that cannot be handled by the local human resource or payroll representative. Under the restructured Plan, employees and participants, after initial enrollment, will be instructed to contact the record keeper's toll-free telephone number with questions and requests for information and assistance. Participants may also contact DRS for information and assistance. Regarding customer servicing, the record keeper must staff a toll-free customer service line with an adequate number of benefit service representatives. Voice response services, also through a toll-free number, must be available so participants will be able to call 24 hours a day and receive information regarding their account and make transactions on their account. Similar transactional capability needs to be provided to participants who wish to use the Internet.

The record keeper's customer service staff must be able to answer all participant questions about the Plan, Plan features, and operations received in writing or over the telephone, including information on the investments offered through the Plan and their performance, which would be obtained by the record keeper from the investment providers and DRS. The record keeper's customer service staff must

be able to assist employees in all areas of their Plan participation including changing the amount of salary deferrals, making investment election changes or transfers, obtaining account balance information and initiating hardship withdrawals and benefit payments. DRS staff will also be available to assist participants in these areas, when contacted.

2.2.4 CONTRIBUTION PROCESSING

DRS receives contribution information from the State and its participating employers. DRS consolidates this payroll information and will transmit to the record keeper a data file with the contribution for each participant. The data file will include the pay date that must be reported on the participant statement. The record keeper must also report the contribution posting date. It is expected that DRS will send a data file with contributions daily. The record keeper will be required to process the payroll contribution detail and wire transfer the contributions to the appropriate investment fund companies within 24 hours from receipt of the electronic data file from DRS. The record keeper will also be required to confirm receipt of all wire transfers by each of the investment companies and provide written confirmation to DRS and WSIB.

Please note that participant contributions under the Plan currently can be made as either a dollar amount **or** a percentage of salary. When the new record keeping system is available, participants will be encouraged to establish contribution amounts by percentage of salary. The \$30 minimum per month contribution limit will continue.

The record keeper receives data from DRS via electronic data transmission, magnetic tape, and/or diskette and processes the participant contribution detail provided, including negative contributions and adjustments, using each participant's current investment allocation election. If no investment allocation is on file with the record keeper, participant deferrals default to the Stable Value Option, called the Savings Pool.

Investment Transfers and Allocation Changes

The record keeper transacts all settlements among the investment providers due to participant transfers. The record keeper computes the amount of transfers between investment options for all instructions received in good order from the participant by 4:00 p.m. Eastern Standard/Daylight Time using that day's NAV or closing price or value and wire transfers appropriate amounts to/from the individual investment providers within the time limits permitted by the agreement with each investment provider. The record keeper provides a monthly summary of this information to DRS and WSIB.

Participants have the ability to transfer assets on a daily basis among all investment funds without limitations.

Since the record keeper will be conducting changes to investment allocations and transfer of account assets will be made by participants through the record keeper. The record keeper will be required to have transactional voice response and Internet systems that will permit these changes to be made via these systems. In addition, participants who do not want to use these systems must be able to contact a record keeper customer service representative by telephone to effect the change or transaction. All changes and transactions must be confirmed to participants in writing within three (3) days of the change. It is also anticipated that changes to investment allocations or asset transfers will be permitted via paper forms, if requested.

Suspense Items

When an employee contribution or transaction is requested and, due to lack of sufficient information or other causes, it is unclear how it should be processed, the record keeper suspends that item. The record keeper maintains a subsidiary record of all suspense items, prepares a daily edit report of all items, and transmits the edit report to DRS each day by 4:00 p.m. Pacific Standard or Daylight time. The record keeper researches and resolves each item on the edit report within seven (7) business days or less. DRS provides assistance as necessary to resolve suspense items.

If there is a change in investment value, including interest, between the time the suspense item should have been invested and the time it is ultimately invested, the investment value has increased, and the record keeper caused the suspense item to occur, the record keeper contributes the difference between the initial contribution or deferral amount and the price of the investment when it is actually purchased. In the event the investment value has gone down, the entire initial contribution or deferral amount will be utilized to purchase the investment at its current price so that this is no gain or loss to the record keeper. The record keeper maintains and reports to DRS a monthly suspense account balance reflecting all unpaid and uncleared transactions with corresponding occurrence dates. The record keeper is not responsible for errors made or failure to provide information by DRS, participants, or investment managers.

The record keeper develops and maintains a system for corrections due to erroneous deductions, participant check cancellations, administrative errors, and so on. The record keeper corrects errors made by the record keeper at its expense so that the value of the participant's account is not less than it would have been had the error not occurred. The system provides for prompt repayment or credit of any refunds within seven (7) business days following the date on which the reason for such a refund or credit is brought to the record keeper's attention. The record keeper provides cost estimates to DRS and makes the corresponding adjustment to participant's accounts. DRS wires the money to the record keeper two (2) business days later to cover the cost of the adjustments. The record keeper sends a letter to the participant and DRS explaining the dollar cost for the adjustment. If

the error is made by DRS, the record keeper is required to calculate the lost earnings and notify DRS of this additional amount.

2.2.5 RECORD KEEPING

Currently the State's Department of Personnel (DOP), using an internally created and managed record keeping system, maintains all participant level records, including address and contribution information. DOP also maintains the participant account balance records for the 457 deferred compensation and 401(a) Judicial Retirement Account (JRA) participants for all the investment options. DRS intends to outsource the record keeping to the record keeper selected through this RFP.

The record keeper must maintain records providing daily information associated with an individual's account, including, but not limited to: investment balances, salary deferral contributions, distributions, earnings, administrative fees, work location, address, beneficiary designations, and any other information necessary for the proper administration of a participant's account. For retired/terminated participants, there is additional data regarding distribution method amount maintained by the record keeper.

The record keeper will also be required to make changes to participant investment elections and effect transfers of existing account balances on a daily basis.

The record keeper must be able to monitor the annual participant dollar contribution for deferral amounts close to or exceeding maximum deferral amounts. The record keeper must maintain a catch-up indicator to track participants who are utilizing catch-up. DRS staff will assist in catch-up calculations and form completion. DRS will electronically provide record keeper with a catch-up utilization indicator to place in participant records for tracking requirements.

DOP contemplates no changes to its systems to accommodate the selected record keeper's internal system requirements.

On-line System Access

The record keeper must provide DRS with a method to access the record keeper's record keeping system, in a format acceptable to DRS, for the purpose of reading and updating participant data.

If a member cannot use technology to make balance transfers and/or allocation changes directly, then a paper form is still available. The form typically will be sent to the record keeper by the participant. In the event it is sent to DRS, DRS shall use electronic transmission to update those items.

The record keeper must maintain a data monitoring system that flags transactions input by the record keeper or by participants using the record keeper's voice response system or the Internet.

The on-line system must be compatible with DRS's current computer system, or some other alternative acceptable to DRS. The on-line system must provide DRS with connectivity to participant data, which is current as of the completion of the valuation process for the prior business day.

Stable Value Option

The record keeper selected will be expected to keep participant account balance records for one stable value income fund, called the Savings Pool. The Stable Value Pool is primarily comprised of GICs. This pool is managed by the Washington State Investment Board (WSIB). Currently interest is calculated and credited to participant accounts monthly; however, this will change to daily effective with this transition. Five (5) days in advance of a month, the WSIB will provide the record keeper the daily interest rate factor to use for that month to credit interest to participant accounts. This factor will be used for each day in the following month unless, due to some unusual and unforeseen occurrence, WSIB must re-set the interest rate factor during the month.

Plan assets invested in the Stable Value option shall be valued at book value unless otherwise required by generally accepted accounting principles. Interest shall be accounted for on a daily effective method in accordance with DRS's procedures and agreements with the stable value investment provider. The record keeper shall be responsible for crediting the daily interest rate factor to participant accounts on a daily basis.

This daily interest rate factor will enable the record keeper to provide daily valuation of the Savings Pool. Because the proposed investment option design contains no competing investment funds, there will be no transfer limitations or equity wash provisions applied to the Savings Pool. Records of all the investment contracts and the cash reserve component that comprise the Savings Pool and their current values are and will continue to be maintained by the WSIB. The record keeper will be required to notify WSIB every week of expected cash inflows and outflows based on expected contributions and payments.

Variable Funds

The record keeper will keep records for the Plan's variable investment offerings:

Mutual Funds

Fidelity Intermediate Bond Fund
Calvert Social Investment Fund
Fidelity Equity-Income Fund
Fidelity Retirement Growth Fund

Fidelity Growth Company Fund
Fidelity Overseas fund

Money Market Fund
Provident FedFund

Institutional Fund
Washington State Investment Board-U.S. Stock Market Index, sub-managed by
Barclay Global Investors.

Funds that are not guaranteed as to principal or interest are valued at their net asset value (NAV) as of the close of each business day, and/or in accordance with any applicable contract with an investment company or in accordance with the fund prospectus.

Mutual Fund Fee Offsets

DRS will negotiate with the mutual fund companies to compensate the Plan for not conducting individual participant account record keeping. There will be no commissions or other indirect fees paid to the record keeper by an investment provider under the Plans that are not fully disclosed by the record keeper and used to reduce the costs participants pay for Plan administration.

Changes to Fund Managers

All decisions regarding the investment funds and fund managers offered under the Plan are made by the WSIB. The WSIB functions as the investment advisor to the Plan. The WSIB conducts periodic reviews of the investment funds/managers and recommends changes to the funds/managers, as appropriate.

It is possible that, as a result of WSIB's ongoing review and advice, there may be changes to the funds offered under the Plan. The record keeper must assist DRS in implementing any changes to the funds managers and revising publications to communicate the changes to participants.

This procurement is for record keeping services only. As described below, the WSIB may make recommendations for future changes to the investment management services provided to the Plan which would be obtained through a future procurement process. The Successful Respondent will not be prohibited from proposing to provide investment management services; however, the WSIB will conduct any procurement process without regard to any company's role in providing record keeping services to the Plan(s).

DRS recognizes that Respondents must be able to calculate their proposed fees based on the complexity of possible investment lineups and potential changes to that lineup. While no immediate changes are anticipated to the current fund lineup, it is possible that that during the course of the contract the current fund

options might increase to a maximum of 15 options. It is possible that funds could change and that the record keeper might have to interface with as many as six (6) different fund companies at any given time. The lineup could also be expanded to include up to three (3) age- or retirement-date-related pre-mixed portfolio funds.

Plan Level Reports

The record keeper electronically transmits daily files containing the prior night's activity to DRS.

The record keeper submits separate daily, monthly and quarterly reports on all activities in each Plan, for DRS and each participating employer and/or agency as designated by DRS. The types of reports and/or the kinds of information required include, but are not limited to, the following information:

- a. Total number of participants in the Plans.
- b. Number of new participants in the Plans, broken down for the period and cumulative for the year.
- c. Total employee salary deferrals and withdrawals, broken down for the period and cumulative for the year to and from each investment provider.
- d. Assets in the Plans, broken down by investment provider at the end of the reporting period and cumulative since the beginning of the year. Differences between the monthly allocation of investment funds and deposits for each investment option shown on the requested report is explained by a footnote.
- e. A statement of the rate of return, broken down by investment provider for the reporting period and cumulative for the year.
- f. Benefit distribution reports, reports on loans (if implemented) and hardship withdrawal requests identified by participant.
- g. Amounts deducted from participant accounts by the record keeper for administrative fees and reconciliation of all charges to participants accounts.
- h. Number of conversion to annuities.
- i. Daily and monthly activity summary report for each investment option.
- j. Report of electronic data transmission from the record keeper (dollars by activity type), if applicable.

- k. Monthly financial statements – trial balance, balance sheet and statement of changes in net assets.
- l. Investment valuation statements for each investment option, investment type.
- m. Annual financial reports.

The record keeper must provide a report monitoring participants approaching or over the maximum annual deferral amount.

The record keeper sends monthly asset fee reports to DRS by the fifth business day of the month for the prior month, with supporting documentation for the record keeper fees.

The record keeper must provide a monthly report on service center quality and performance including, but not limited to, activity, purpose of calls, abandoned calls.

The record keeper must develop a bi-monthly financial update report to support WSIB in reports prepared for the Employee Retirement Benefits Board (ERBB). The record keeper will provide an annual report to DRS.

Examples of current reports are included in Exhibit N. The record keeper will be required to provide DRS with the information included in these reports at each Plan level within ten (10) days after the end of the month

The record keeper shall provide DRS with detailed costs associated with any new or proposed legislatively mandated programs that would materially change the DCP program. In addition, the record keeper prepares and maintains special purpose reports and other material as determined by DRS to be necessary for the proper administration of the Plans.

Participant Statements of Account

Currently, quarterly statements of account are prepared and distributed to participants by DRS. (See Exhibit O.) Information displayed on the statement will include, but is not limited to, beginning and ending balances, activity during the period, net gain (loss), Plan to date deferrals, message capability, and asset allocation graph.

The record keeper will be required to mail to each participant at the address on file, a quarterly statement of account providing the information as detailed above. The cost of mailing and postage will be the responsibility of the record keeper. The record keeper must be able to customize the statement for the Plan and to

provide a field for short messages. All information shall be provided in both dollars and share/unit value.

The record keeper must agree to mail the statements, with the DCP newsletter described above, by the 10th of the month following the end of the quarter. The record keeper must provide copies of statements of account activity on CD-ROM to DRS within ten (10) days after statements have been mailed.

Deduction of Plan Fees

Currently, the administrative fee is 10 basis points annually, with 1/12th deducted from each participant's account every month. It has not yet been determined how the Plan's administrative fee (which will include payment of the record keeper's fee and other related costs) will be deducted. The administrative costs, net of mutual fund fee offsets, will be deducted from participant accounts in an amount that will cover the costs of DRS's and the WSIB's oversight and support services and the record keeper's and other related fees.

The record keeper will be required to deduct Plan administration fees from participant accounts, possibly on both a disclosed and undisclosed basis. For the Savings Pool, the earnings rate to be credited may be net of investment management fees. For the variable funds, investment management fees will be deducted before the calculation of daily values by the investment companies.

It is expected that the new fee structure may include an asset based or per participant schedule or a combination. If an asset based fee is charged it may have a graduated component so that participants with large account balances will pay less as a percentage of their account balances, although there may continue to be a flat dollar component to the fee schedule. There may also be transaction based fees. In addition to the capacity to deduct fees from participant accounts in a variety of ways, the record keeper must have the capability to rebate any fees received from mutual funds back to individual participant accounts who invest in the funds, if desired.

2.2.6 CUSTOMER SERVICES

The record keeper shall maintain an adequate number of staff and an adequate number of toll-free telephone lines with voice response capabilities and Internet access to provide the required services. Both VRU and Internet access will be available 24 hours a day with the exception of the time necessary for the normal maintenance of the system and updating of information. This telephone number must be TDD/TTY capable. The VRU must provide the following information and services to the participant from a touch-tone telephone:

1. Provide general Plan overview information including how to reach a customer service representative at DRS, how to reach the various

investment firm's customer service representative, and other topical information.

2. Current account balance, broken down by investment option and broken down by each Plan (if applicable).
3. Current interest rates.
4. Current unit values or share prices.
5. Daily changes in share prices or unit values.
6. Inquire about current investment election (allocation of contributions).
7. Change allocation of future deferrals.
8. Transfer existing assets between investment options.
9. Change PIN (Personal Identification Number).
10. Request Plan informational brochures and forms.

The client service representatives must be available to answer participant questions between the hours of 8:00 a.m. Pacific Standard/Daylight Savings Time and 6:00 p.m. Pacific Standard/Daylight Savings Time each business day. Participants initiating transactions via client service representatives shall receive a confirmation number followed by a written confirmation, which shall be mailed directly to the address on file for the participant within three (3) business days.

The record keeper shall ensure that the personnel answering the customer service line are qualified to provide information on the investment offerings under the Plans and to discuss investment concepts and retirement Planning considerations. The record keeper shall ensure that such information be provided in a manner consistent with the requisite insurance and securities laws and that all personnel who provide such information shall be properly licensed with all required regulatory agencies, if applicable. At the request of a participant, the record keeper shall review and explain investment alternatives and past investment returns. If unavailable at the time of a phone call, the record keeper's representative shall call back a participant on the next business day.

The record keeper must provide telephone assistance to participants who are taking a distribution under the Plans, and advise participants of payment options available, if requested.

Inquiry services available through the VRU and Internet will utilize most currently available share prices, unit values and account balances as of the previous day.

Changes to investment allocations must be made to the participant's record the date they are requested. Investment transfers received by 4:00 p.m. Eastern Standard or Daylight Time must be made on the next business day using the previous day's NAV or value.

Participants using the VRU or Internet access to effect a transaction shall receive a confirmation number followed by a written confirmation, which shall be mailed directly to the address on file for the participant within three (3) business days. An error committed by the record keeper through the VRU, the Internet or in regular processing shall be corrected and processed as of the effective date of the original transaction. Any errors made by the record keeper shall be corrected at its expense so that the value of the participant's account is not less than it would have been had the error not occurred. Written confirmation of the correction shall be mailed to the address on file for the participant within five (5) business days after the correction of error.

The record keeper must respond to participant questions and complaints. Any complaints not resolved within 30 days will be brought to DRS's attention.

The record keeper must provide a proposal for DRS review and approval for formally assessing participant satisfaction with the record keeper's services. Identify how participant and/or employer satisfaction issues would be identified, reported, and corrected.

2.2.7 DISTRIBUTIONS

DRS will be the primary contact to provide telephone assistance to employees who are taking a distribution under the Plan. Distributions include hardship withdrawal, termination of employment and retirement. The record keeper must be able to advise participants of the payment options available under the Plan (see list below).

The record keeper is the primary record holder for retention purposes and maintains on its record keeping system a field in which distribution information is recorded and updated.

The record keeper maintains data on the distribution date elected by participants, and when applicable, issues written notifications to participants 90 days in advance of the distribution date regarding selecting a payment method and initiating payments. The notification shall advise participants of their ability to make an additional deferral of the distribution date and to record the future

distribution date for future notification. The record keeper must send a reminder to DCP participants 30 days in advance of the distribution date if payment election method has not been received. The Plan requires mandatory distribution(s) if a timely election is not completed. The record keeper must notify participants and DRS when a mandatory distribution becomes necessary.

DCP has had 36,694 distributions payments, \$36 million dollars over the past year. (See Exhibit M.) For lump sum payments the record keeper must be able to make an electronic transfer of funds. The record keeper must also be able to provide direct deposit for systematic payments.

The record keeper will be required to duplicate the following payment options permitted from DCP funds:

- Lump sum
- Partial lump sum followed by installment payments
- Fractional payments of account balance over a specified time
- Minimum distribution payments recalculated annually
- Annuity purchase
- Installment payments with annual cost of living
- Installment payments based on single and joint life expectancies
- Specified amount until account is exhausted
- Frequency: monthly, quarterly, semi-annually, annually

The record keeper makes disbursement of funds by check, electronic direct deposit and wire or electronic fund transfer for benefit distributions, Plan to Plan transfers, rollovers or other large distributions, upon authorization and instruction by DRS. Payment distributions are a combined amount from all investment providers. The record keeper provides written confirmation to participant and DRS for payments made by electronic direct deposit or wire or electronic fund transfer. The record keeper will provide distributions information and issue payments.

The record keeper will be required to provide an annuity shopping service for participants who wish to receive their distribution as an annuity. For participants who are considering annuity distributions, the record keeper will provide annuity distribution illustrations, assist participants with annuity purchases through DRS-approved insurance programs, and confirm beginning of payments from insurers. The record keeper must obtain purchase rates from at least three (3) companies that meet minimum qualifications agreed to by DRS.

The record keeper must be able to assist participants in making election of deferred payment and contact participants when payments must commence under the Plans. The record keeper must also accommodate and track the one-time deferral of the distribution date that is now permitted under the 457 Plan.

The record keeper provides participant federal and state income tax withholding and reporting for each benefit payment from the Plans. The record keeper shall be solely responsible for any tax penalties and/or interest that may arise due to errors it made in tax reporting or forwarding of funds to the appropriate government authorities.

DRS will be responsible for coordinating hardship withdrawal applications from participants, obtaining from the participant the information needed by DRS's hardship approval committee. For applications approved by the DRS committee the record keeper will be required to make distribution within 72 hours. For applications not approved by the committee, DRS will notify the applicant in writing of the denial and his/her appeal options. DRS will also coordinate the appeal process if the participant should request one.

DRS provides information and distributions related to Domestic Relations Orders (DRO). DRS is the primary record holder; however, the record keeper maintains on its record keeping system a field in which DRO information is recorded and updated. DRS will notify the record keeper with instructions on distribution elections and appropriate distribution to nonparticipant (ex) spouses as directed by DRS. In addition, the record keeper must provide for multiple account and distribution capacity (subaccount) for assets transferred to the (ex) spouse with the ability to track by participant. The record keeper will provide the (ex) spouse the same payment methods available to participants.

When receiving notification from DRS of the death of a participant who is in periodic distribution, the record keeper shall cease benefit payments and make the necessary changes to begin making payments to the participant's beneficiary(ies) after the beneficiary has selected a distribution method. The record keeper makes corrections and adjustments to income tax withholding and deposits as necessary, as instructed by DRS.

The record keeper shall distribute all disbursements of Plan benefits, including for Plan to Plan transfers and rollovers, pursuant to information provided by DRS. Currently distributions for DCP are issued on the 10th and 25th of the month. The record keeper will provide distributions on those dates for existing distributions and additional days of the month as mutually agreed upon by DRS and record keeper.

2.2.8 PLAN LEVEL ACTIVITIES

The record keeper maintains Plan level records and reconciles individual participant accounts to the Plan level balances monthly. The record keeper reconciles investment accounts for each Plan with investment providers, trust and custody records, and DRS records monthly and provides a copy of the monthly financial reports and reconciliation summary to DRS within ten (10) days of

month-end. The monthly financial report reconciliation summary for each Plan shall be in a form acceptable to DRS.

The record keeper sets up on DRS's behalf all investment-related accounts as necessary to conduct investment transactions as directed by participants.

2.2.9 COMPUTER SECURITY

- 1) The record keeper must provide a description of the record keeper's information systems infrastructure year 2000 compliance to DRS and will provide updates to this description as may be necessary due to material changes.
- 2) The record keeper must keep duplicate or back-up computer data files maintained in connection with the Plans at an alternate site. Maximum recovery time can be no more than 24 hours. Additionally, the record keeper must have a disaster recovery Plan in effect and will be required, periodically by DRS, to provide evidence that the system has been tested within the most recent 12 months.
- 3) The record keeper must also demonstrate to DRS that the system used for record keeping for DCP will have an adequate capacity to handle the volume of records generated and daily transmittals.

All computer data files of the Plans, as maintained by the record keeper, shall at all times remain the property of DRS notwithstanding the fact that such records may be stored upon or within one or more computer or data retention systems owned, operated or leased by the record keeper. DRS or its representatives shall, at all reasonable times, have access to the records. To the extent that any such records are to be maintained upon a computer system or any other data retention system which is not owned by the record keeper, the record keeper shall provide DRS with assurances from the owner of such computer facilities, satisfactory to DRS, of the continued availability and security of such records at all times.

The record keeper must provide access to DRS to all back-up source materials, reports, books, records, computer programs and all other information and documentation relating to each Plan, as reasonably required so that DRS and/or its designated officers, agents and accountants, can conduct a financial examination and/or audit of the Plans.

2.2.10 ADMINISTRATION

The record keeper shall provide, 30 days prior to the implementation date, a manual of tasks, rules, and procedures for operation of the Plans, including a description for record keeper employees of how all services which you are to

provide hereunder are to be performed. The record keeper shall review this manual and update it if necessary, and shall submit such changes to DRS for its review and approval.

The record keeper shall have adequate qualified personnel available to conduct at DRS offices, at least semi-annually, complete and detailed training sessions on the record keeper's systems and processing methodology, including instruction on how to use the on-line access system.

The record keeper shall perform any and all administrative functions necessary to ensure the thorough and accurate financial accounting essential for each party's financial records.

The record keeper shall research and resolve, with DRS's assistance, any participant statement of account not received by the participant but returned to the record keeper. The record keeper must provide a summary report to DRS within 30 days of mailing of statements.

The record keeper shall ensure that DRS has a qualified account service representative available on a fully dedicated basis to provide timely and comprehensive assistance with all aspects of the record keeper's services.

The record keeper shall inform DRS within 60 days of recently enacted federal tax laws and regulations, and all present or future federal tax legislation or other changes in the tax laws which may have an impact upon the record keeping and administration requirements of the Plans. The record keeper must describe the nature of any amendments to the Plans which may be required by changing conditions, federal tax laws or regulations, or which may make available to employees the most advantageous investment options and investment returns. The record keeper will work with DRS legal counsel to evaluate and implement any amendments to the Plans.

The record keeper must ensure that each participant's account complies with the applicable regulations including, but not limited to, IRC 401 (a)(9) minimum distribution requirements and annual maximum deferrals.

The record keeper shall monitor and enforce the six-month suspension of contributions under the 457 Plan for all hardship applications received.

Currently some DRS employees have NASD registered representative series 6 and 63 licenses. As a broker dealer, the record keeper must hold these licenses on behalf of the DRS employees.

2.2.11 PROGRAM AUDITS

The record keeper must provide, within 60 days of the close of each calendar year, a reconciled annual employer summary report for each Plan. The report shall be fully reconciled with the sum total of participant transactions for the relevant period, as reflected on the record keeper's records.

The record keeper will cooperate fully in the annual Plan audits. A separate audit is conducted for each Plan. The audits will be conducted in accordance with generally accepted auditing standards (GAAS) and will be performed on a calendar year basis with a calendar year ending December 31 of each year. In addition, these audits will include certain agreed upon test procedures, including but not limited to the following:

1. Reconcile between the trustee/custodian or other party's Plan asset records, the DRS's records and the record keeper's participant records.
2. Confirm assets held in trust/custody under the supervision of the trustee/custodian or other party with the parties providing the actual investment options.
3. Reconcile revenue received by the trustee/custodian or other party with the specific revenue of the various investment options.
4. Test charges to Plan assets and withdrawals from the Plan to determine compliance with trustee/custodial agreements and Plan provisions.
5. Test actual investments held by trustee/custodian or other party to determine whether they coincide with actual participant records.

2.2.12 TRANSITION PLAN FOR ASSUMPTION OF SERVICES FROM CURRENT RECORD KEEPER

The record keeper must provide any requested advice related to the transition and record keeping to DRS during the transition, and establish written and actual procedures for handling all participant activities.

The record keeper shall accomplish the following tasks during this transition period:

1. Provide a migration Plan that outlines the specifics on how the migration process to transfer DCP record keeping will be completed. A record keeper migration team must be on-site in Olympia, Washington for the three (3) month period before and the one (1) month period following the effective date of the assumptions of record keeping services.

2. Send a written communication to all participants telling them of the change of record keeper's and describing the various services the record keeper will be providing and how to access them. A brochure on how to use the VRU and Internet access must be included.
3. Establish contacts with appropriate DRS staff and departments.
4. Hire necessary staff.
5. Establish participant master files.
6. Take receipt of current participant files (magnetic tape or electronic transmission) from the current record keeper.
7. Set up interfaces with all investment fund companies and arrange for change of authorizations as needed.
8. Cooperate with DRS to establish administrative rules for operation of the Plans as may be required and prepare a Manual of Tasks, Rules, and Procedures for use by DRS.
8. Establish written and actual procedures for handling all participant activities including employee contributions, rollovers, and termination/withdrawals.
9. Train DSR staff on accessing and using the record keeping system.

The record keeper's assistance shall be provided in such a manner that a transition plan audit can be completed by DRS within 120 days after the implementation date.

2.2.13 CONTRACT TERMINATION

Upon termination of the contract, the record keeper shall cooperate with DRS to the end stated effective date of the termination in an orderly transfer of administrative responsibilities and records to DRS or its representatives. Specifically, the record keeper will provide the information and services as stated in this section. In the event that DRS elects not to renew its contract at the end of its term or extension, or otherwise terminates the contract for default, or insolvency, the record keeper agrees to cooperate in the transition to the new record keeper.

This contract may be terminated for cause by DRS upon 30 days from receipt of written notice without the payment of any financial penalty or obligation. For

purposes of this contract, cause is defined as failure of the record keeper to fulfill the obligations of this contract.

If the reason for contract termination is sub-standard or unacceptable performance, after receipt by the record keeper of a notice of termination, there shall be a 60-day cure period. During the cure period, the record keeper is obligated to continue to provide all services outlined in this contract including the services causing this provision to be enacted. If the services are not cured in a reasonable period, the remainder of the cure period will be eliminated. If the record keeper remedies the cause for termination within such cure period in a manner acceptable to DRS whose acceptance shall be evidenced in writing and shall not be unreasonably withheld, the notice of termination shall not become effective. Otherwise, the Contract shall automatically terminate on the 61st day following receipt of such termination notice. DRS shall pay all fees accrued to the date of termination minus applicable penalties.

In the event DRS elects to contract with a new record keeper upon termination or expiration of its contract, the record keeper will fully cooperate with DRS and the new record keeper in making the transition. The record keeper will provide documents and computer files as described in this Section and generally assist the new record keeper and DRS in learning the content of such documents and files, or otherwise as will be mutually agreed upon between the record keeper and DRS. The record keeper will have no written or telephone contract with participants except as authorized by DRS.

Data requirements of DRS to effect this transition/conversion to a new record keeper include, but are not limited to the following:

1. File descriptions and narratives for input and output files as will be mutually agreed to between the record keeper and DRS. The record keeper agrees to provide all information that resides in the record keeper's computer files relating to DRS participant accounts, including individual participant account history that DRS reasonably requires for the transition and for the permanent records of DRS;
2. Sub-contracted procedures or third-party agreements shall be fully documented by the record keeper, and all source documents and disclosures of participant selections or investments shall also be made available.

Reports, Information and Access Upon Termination

In the event that this Contract is terminated or is not renewed after the stated contract term or extension, the following account related materials, services and/or data will be provided by the record keeper to DRS:

1. A complete financial report for the Plans including the latest activity by each investment provider company (deposits, transfers in and out, withdrawals, fee/charges, earnings and adjustments); also a full reconciliation of total Plan assets as of the “close-out” date.
2. A listing of any items requiring adjustment/correction as of the “close-out” date.
3. A complete listing, details and information regarding any hardship withdrawal requests.
4. Staff and records reasonably needed to allow for the timely completion of the annual financial audit of the latest Plan year for the Plans and to answer questions and to provide technical assistance during the transition period, such that the audit report can be completed within six months of the termination date.
5. All of the information described above plus a complete historic record for each participant of all contributions and withdrawals by type and the participant’s years of participation. This data must be made available in a standard format for ease of moving the data to another system.

2.2.14 COMPLIANCE

Company Audits

The record keeper shall present to DRS an annual audit of the company prepared by an independent certified public accountant and promptly notify DRS if any material irregularities that would materially affect the operations of the Plans. In addition, the record keeper shall provide DRS with a copy of its systems (SAS70) audit.

Insurance Requirements

The record keeper shall execute and deliver to DRS, contemporaneously with the signing of the contract and prior to the contract’s effective date, a performance bond in the sum of not less than \$2 million, conditioned upon and for the faithful performance and actual fulfillment of each and every term, condition, provision, and obligation of the record keeper and its officers and employees arising under this contract.

The contract shall require that the record keeper execute and deliver DRS contemporaneously with the signing of the contract and prior to the contract’s effective date, a fidelity and guaranty bond or policy of fidelity and guaranty insurance on the record keeper’s officers and key employees directly involved in the administration of the Plan payable to DRS as named beneficiary in an amount

of not less than \$5 million for each occurrence giving rise to payment of any part of such bond or policy.

The bond(s) or policy must be executed by an admitted company licensed to do business in State of Washington possessing a Best's Insurance Report policy holder's current rating of "A++", "A+", or "A", with a financial rating of Class VIII or better. The bond(s) or policy must be endorsed to give DRS 30 days notice of cancellation of coverage.

The bond(s) or policy shall not be obtained from a provider with whom the record keeper has one or more of the following relationships as defined in the Financial Accounting Standards Board Statement of Financial Accounting Standards Number 57:

1. Affiliate
2. Control
3. Immediate Family
4. Management
5. Principal Owners
6. Related Parties

The record keeper shall notify DRS within five (5) business days of any unresolved errors that have an impact on the operation of the Plans.

Non-Solicitation and Confidentiality

The record keeper shall not use information obtained under the Plans to directly solicit participants with respect to any product of said company not part of DRS. All information concerning the Plans and participants is the sole property of DRS and that information will remain confidential and will not be used or transmitted to others for any purposes whatsoever, except as required to conduct Plan operations.

3. VENDOR QUALIFICATIONS

As of July 1, 1999, Respondents must satisfy *all* of the following mandatory minimum qualifications as outlined below in order to be considered for the contract award.

- A. The Respondent must have \$1 billion in defined contribution assets under administration. For Respondents proposing DCP services, at least \$500 million must be 457 Plan assets.
- B. The Respondent must have provided record keeping, administrative and employee communication services for defined contribution Plans for a minimum of five

years. For Respondents proposing DCP services, the respondent must have also been providing services for at least five years to 457 Plans.

- C. The Respondent must have at least 10 defined contribution plan accounts. For Respondents proposing DCP services, at least five of them must be 457 plans.
- D. The Respondent must be a direct provider of services (not a third-party broker).
- E. The Respondent must accept the written contract as supplied by DRS. The Respondent must have the approval of the Respondent's legal representative to the contract format set forth in Appendix C prior to submittal of a proposal.
- F. The key professionals and/or the organization (or affiliate) must not have a material conflict with DRS or its consultant, William M. Mercer Investment Consulting, Inc. (the Consultant).
- G. The Respondent must agree to provide the minimum administrative, communications and record keeping services as detailed in Section 2, as well as all other requirements as stated in the RFP.
- H. The Respondent will be required to provide DRS with proof of errors and omissions or malpractice insurance.
- I. The Respondent's record keeping system must provide direct service that supports correction and reversal processing by DRS.
- J. The Respondent must have industry standard security, back-up and recovery capabilities to its record keeping system.
- K. The Respondent must have service-center support to meet the communication needs of DRS and participating members.
- L. **RESTRICTIONS:** Any company which, either as a parent company, subsidiary, or affiliate is currently performing consulting services for DRS may not compete in this procurement. The firm(s) or any subsidiary, affiliate or parent company thereof, selected as a result of this procurement may not compete during the term of the resulting contract, any extensions thereto, in any subsequent DRS procurement, the main purpose of which is to hire a firm or firms for consulting purposes. Companies holding alliance, partnership, or other business affiliations with the Consultant assisting DRS in the third party record keeping and selection process will be excluded from eligibility to respond to the record keeping or member transfer education services RFPs. Respondents must indicate their understanding and agreement to this by signing the Certification and Assurances statement, which is Appendix A at the end of this RFP.

4. GENERAL INFORMATION FOR RESPONDENTS

4.1 RFP COORDINATOR

The RFP Coordinator is the sole point of contact for this selection action. Throughout the duration of the procurement process, all questions and other communications concerning the procurement are to be directed, in writing, to the contact listed below. **Unauthorized contact regarding the procurement with other DRS staff or its consultant, William M. Mercer Investment Company Inc., after issuance of this RFP will disqualify the Respondent.**

Washington State Department of Retirement Systems
P.O. Box 48380
Olympia, WA 98504-8380
ATTN: Jeff Wickman, RFP Coordinator
Telephone: (360) 664-7288
FAX: (360) 753-5397
E-mail: jeffw@drs.wa.gov

Any questions regarding this RFP must be in writing or by e-mail, and must be received at DRS by 5:00 p.m. Pacific Daylight Time, **July 12, 1999**. The questions received and the answers will be posted on DRS's Web site. The Web site address is www.wa.gov/DRS/drs.htm/vendors

4.2 SUBMISSIONS

Submittal of ten (10) copies of the proposal is required. Two copies must have original signatures and eight copies can have photocopied signatures. One of the ten copies must be unbound. The unbound copy must contain original signatures and must be marked "Master Copy."

The ten (10) copies of the proposal shall be received at the following address on, or before, 5:00 p.m. Pacific Daylight Time **July 27, 1999**:

Washington State Department of Retirement Systems
Post Office Box 48380
6835 Capitol Blvd
Tumwater Washington 98504-8380
ATTN: Jeff Wickman

Respondents mailing proposals should allow normal mail delivery time to ensure timely receipt of their proposals by the RFP Coordinator. **Proposals may not be transmitted using electronic media such as facsimile transmission or electronic mail.** Notwithstanding the provisions of RCW 1.12.070, postmarks will not be considered as date received for the purposes of this RFP. Late

proposals will not be accepted, nor will time extensions be granted.

The outside of the proposals packaging is to clearly identify the RFP being responded to, including the RFP number (99-23).

All proposals and accompanying documentation become the property of DRS and will not be returned.

4.3 PROPOSAL FORMAT

All proposals must be on eight and one-half by eleven (8 ½ x 11) inch paper and placed in binders with tabs separating the major sections of the proposal. The sections shall include:

- 1) Letter of Submittal, including signed Certification and Assurances (Appendix A at the end of this RFP);
- 2) Executive Summary;
- 3) Responses to Questions;
- 4) Fee Proposal (Fee Proposal Forms are Appendix B); and
- 5) Any supplemental information the Respondent wishes to include relevant to this RFP.

Responses should be in the order outlined in this RFP.

4.4 SIGNATURES

The Letter of Submittal and the Certifications and Assurances form must be signed and dated by a person authorized to legally bind the Respondent to a contractual relationship, e.g., the President or Executive Director if a corporation, the managing partner if a partnership, or the proprietor if a sole proprietorship.

4.5 ESTIMATED SCHEDULE OF ACTIVITIES

Event	Date
Issue RFP	June 29, 1999
Proposals Due	July 27, 1999
Evaluation Period	July 27 to August 12, 1999
Interviews, if necessary	August 16, 1999
Announcement of apparently successful Respondent(s)	August 17, 1999
Contract negotiations	August 17 to September 14, 1999
Contract for SERS record keeping begins	On or about September 30, 1999

4.6 FILING REQUIREMENT

Under the provisions of Chapter 39.29 RCW, this personal services contract is required to be filed with the Office of Financial Management (OFM). No contract required to be so filed is effective, and no work thereunder shall be commenced, nor payment made therefor, until ten (10) working days following the date of filing and until approved by OFM. In the event OFM does not approve the contract, the contract shall be null and void.

4.7 FAILURE TO COMPLY

The Respondent is specifically notified that failure to comply with any part of the RFP will result in rejection of the proposal as non-responsive.

4.8 REVISIONS TO THE RFP

DRS reserves the right to revise the RFP and/or to issue addenda to the RFP. DRS also reserves the right to cancel or to reissue the RFP in whole or in part, prior to execution of a contract. In the event it becomes necessary to revise any part of the RFP, addenda will be provided to all those who received the RFP.

4.9 SUBMISSION LIMIT

After submission, Respondents will not be allowed to amend the proposal. Responses consisting solely of marketing materials are not acceptable and will be rejected.

4.10 MOST FAVORABLE TERMS

DRS reserves the right to make an award without further discussion of the proposal submitted. [An exception is that the RFP Coordinator may contact the Respondent for clarification of a portion of the Respondent's proposal.] There will be no best and final offer process. Therefore, the Respondent should submit the initial proposal on the most favorable terms the Respondent can propose.

4.11 OBLIGATION TO CONTRACT

This RFP does not obligate the State of Washington or DRS to contract for service(s) specified herein.

4.12 COSTS TO PROPOSE

DRS will not be liable for any costs incurred by the Respondent in preparation of a proposal submitted in response to this RFP, in conduct of a presentation, or any other activities related to responding to this RFP.

4.13 COMMITMENT OF FUNDS

The Director of DRS or his delegate are the only individuals who may legally commit DRS to the expenditures of funds for a contract resulting from this RFP. No cost chargeable to the proposed contract may be incurred before receipt of a fully executed contract.

4.14 INSURANCE COVERAGE

Respondent must indicate in the letter of submittal and as a condition of contract award, that the Respondent will provide proof of insurance from the Respondent's insurance carrier, outlining the extent of Respondent's liability coverage.

The Company awarded the contract shall, at the Company's own expense, obtain and keep in force liability insurance and shall furnish evidence in the form of a Certificate of Insurance that insurance shall be provided, and a copy shall be forwarded to DRS within fifteen (15) days of receipt of notice of award.

The Company shall at all times during the term of the contract carry and maintain liability insurance with the following minimum limits:

- 1) Commercial General Liability Insurance: Covering bodily injury, property damage and contractual liability.

Each Occurrence	\$1,000,000
General Aggregate	\$2,000,000
- 2) Business Auto Policy: As applicable, the Company shall carry and maintain automobile liability insurance with limits of \$1,000,000 per accident.
- 3) Errors or Omissions or Malpractice insurance: As applicable, the Company shall carry and maintain such insurance with limits of \$10,000,000 aggregate.

5. EXECUTIVE SUMMARY

Provide a high level summary of your proposal, highlighting the strengths, experiences, and background of your Company. The summary should be no more than three pages in length. Please indicate which bid alternative(s) you are responding to.

6. QUESTIONNAIRE FOR TRS PLAN 3 & SERS PLAN 3

In providing your company's responses to the questions below restate each question in

bold face type with your response directly below. Your company's proposal, and consequently your responses to the following questions, will be incorporated as part of the contract between your company and DRS. For proposals made as joint ventures, requested information should be provided for all companies that will be a party to the proposed services.

If your response to a question differs in terms of providing services to TRS Plan 3 or the SERS Plan 3, please note and clearly explain the differences.

6.1 COMPANY INFORMATION

1. Give the name and address of your company. Provide the name, title, address and telephone and fax numbers of the contact person from your company whom we may contact with questions regarding your response.
2. Your company must be able to provide all the services and accept all the terms as outlined in this RFP. If your company can provide substantially all of the services but you require an exception to some specific provision of this RFP, state the reason for the exception and the substitution offered.
3. Give a brief history of your company. Supply an audited financial statement for the most recently closed fiscal year.
4. Is your company a parent, subsidiary or affiliate of another company? Give full disclosure of all direct or indirect ownership.
5. Describe any pending agreements to merge or sell your company.
6. Has your company undergone a change in senior management in the last five years? Describe the change in detail.
7. Has your company ever filed a petition or has your company been petitioned into bankruptcy or insolvency or has your company ever made any assignment for the benefit of your creditors? If so, provide complete details.
8. Describe your errors and omissions coverage. Describe the various types of insurance coverage and indemnification provided to protect clients, including:
 - Risks covered
 - Carriers
 - Levels
 - Limits
 - Deductibles

6.2 EXPERIENCE

1. For how many clients does your company currently provide the requested services? As of 6/30/98 provide the following information:

ALL DEFINED CONTRIBUTION PLANS¹

Plan Size	Number of plans	Average Number of Years Company Has Provided Service	Average Number of Investment Options	Total Assets
Under 500 participants				
500 to 999 participants				
1000 to 4,999 participants				
5,000 to 10,000 participant				
10,00 to 25,000 participants				
Above 25,000 Participants				
Total				

¹ Defined contribution includes 401(a) defined contribution, 457, 403(b) and 401(k) plans.

ALL GOVERNMENTAL DEFINED CONTRIBUTION PLANS

Plan Size	Number of plans	Average Number of Years Company Has Provided Service	Average Number of Investment Options	Total Assets
Under 500 participants				
500 to 999 participants				
1000 to 4,999 participants				
5,000 to 10,000 participant				
10,00 to 25,000 participants				
Above 25,000 Participants				
Total				

GOVERNMENTAL 401(A) PLANS

Plan Size	Number of plans	Average Number of Years Company Has Provided Service	Average Number of Investment Options	Total Assets
Under 500 participants				
500 to 999 participants				
1000 to 4,999 participants				
5,000 to 10,000 participant				
10,00 to 25,000 participants				
Above 25,000 Participants				
Total				

2. Provide five client references most like DRS, including any large public sector plans to which you have provided non-traditional defined contribution record keeping. Fully describe the circumstances of your engagement and include the following:
 - Company name
 - Contact name and title
 - Telephone and fax numbers
 - Number of participants
 - Amount of plan assets
 - Length of relationship
 - Whether the relationship involves providing record keeping for independent, unallocated investments.

3. Provide a statement of your company's strategic commitment to the public sector defined contribution line of business and any documentation or evidence to support this commitment. Explain briefly the organization of your company with emphasis on the division and personnel providing defined contribution services within that organizational structure. Provide an organizational chart.

6.3 CONTRACTUAL ISSUES

1. Has your company been involved in litigation in the last five years or is there any pending litigation arising out of your performance or participation in a defined contribution plan? Exclude routine interpleader actions, garnishments and similar routine matters involving participants and beneficiaries that do not reflect on your performance of your contract. If so, please describe.
2. Has your company been cited or threatened with citation within the last five years by federal or any state regulators for violations of any state or federal law and impending regulations? If your answer is yes, please describe fully.
3. Has your company had a contract terminated by a client for cause within the last five years? If so, by whom and under what circumstances? Provide the name and telephone number of each client that has terminated your company's services.
4. Has your company had a contract non-renewed by a client within the last five years? If so, by whom? Provide the name and telephone number of each client that has non-renewed your company's services.
5. Is your company licensed to conduct business in the State of Washington? If not, please attach an opinion of counsel giving his or her opinion as to whether he or she anticipates any difficulties in obtaining all necessary licenses prior to the effective date of the contract. Does delivery of all your services comply with all federal and State of Washington regulations? If not, specify.
6. If applicable, in the past five years, has your company ever been denied a license to do business, a license as an agent or broker, or any other insurance license? If so, please state the date of the denial, the license denied, the state in which the license was denied, the reason given for denial of the license, whether there has been a bona fide change of ownership or management since your license was denied and whether you have eliminated the cause for which the license was denied.
7. In the past five years, has your company ever had a license to do business, an agent/broker license or any other insurance license revoked or suspended? Has your company ever been reprimanded by a licensing agency? If so, please describe fully.

6.4 CLIENT SATISFACTION

1. Describe in detail your company's client relations process:
 - Formal and informal oral and written communications
 - Inquiry and problem resolution processes
 - Information on available services
 - Training in the use of the service and systems access
 - Other: _____
2. How does your company measure and evaluate client satisfaction? How does your company intend to report the results of such measurement to DRS?
3. Does your company conduct client specific employee surveys to measure employee satisfaction with its administrative service? What is the cost of this service? Do not include this cost in your fee proposal.
4. What safeguards would you utilize to assure DRS that it is informed of all serious or repetitive complaints regarding your company's performance? How will you notify DRS of potential problems? How will written and verbal complaints be handled and resolved within your organization? How long do complaints remain at each level before escalation to the next? Describe your escalation procedures. Describe your formal conflict resolution process. Note that any unresolved complaints must be reported to DRS after thirty (30) days.
5. What quality control systems do you have in place? Describe fully. Describe the quality improvement system you have in place.
6. What distinguishes your client service program for a defined contribution plan from that of other companies?
7. How will you assure quality service from your subcontracted companies, if used?

6.5 TRANSITION PLANS

1. Describe in detail your plan for the TRS Plan 3 transition process described in the RFP. Confirm your ability to meet the implementation dates listed in the RFP. Provide a detailed work plan and flow chart of activities, responsibilities and time frames for conversion of the plans. Attach sample copies of communication pieces that you would use with participants during the transition process.

2. In your experience, what are the typical causes of delays during the conversion process? How does your company manage the process to minimize these delays? Indicate the steps that you would take to minimize the inconvenience and confusion to DRS and Plan 3 members.
3. What is the minimum amount of time that your company would require to conduct these two conversions? How much notice will your company require to begin these conversions? Provide an estimate of the type and amount of resources that DRS would need to provide for you to transition the TRS Plan 3 records to and install the SERS Plan 3 on your system.
4. How will your company guarantee its stated implementation time frame?
5. For TRS Plan 3, fully describe the required blackout period during the TRS Plan 3 conversion in which no transactions can take place. How is the investment of new contributions handled during conversion? Will your company allow distributions during conversion? Describe restrictions fully.
6. For SERS Plan 3, comment on how you propose to handle the unique problems associated with the start up of this type of new plan. Describe situations in which your company has provided similar services and any innovative solutions or procedures that were used. Describe the experience and capabilities that your company will bring to this assignment that will benefit DRS.
7. Describe your experience with record keeping conversions from ICMA-RC. Describe conversions that included investment funds managed by SSGA.
8. DRS anticipates providing conversion data of existing plan records in the format provided in the Exhibit F of the RFP (DRS Participant Record File Specifications). Indicate if your company is not able to accommodate this file format and provide sample specifications of a format that your company would be able to accommodate.

6.6 CONVERSION TEAM AND EXPERIENCE

1. Regarding your company's general conversion team staffing, how many employees do you have that work exclusively on conversions? Describe how your conversion team(s) coordinates with the regular client service team and the typical number of conversions a team works on simultaneously.

2. For the conversions of the TRS 3 and SERS 3 Plans, list the expected members of the conversion team(s) you will assign to the Plans. If the teams are the same, indicate why you believe one team will have the resources to conduct both transitions. Indicate whether one or both of the teams (or some portion of their members) will work exclusively on the DRS's conversions. Will any of the conversion team members be assigned on-site at DRS offices during and/or after the transition period? Indicate whether your company will provide a full-time company representative who will be located at DRS's site during the duration of the conversion process. At a minimum this should be the three months before and the three months after the effective date of the contract.
3. Describe the qualifications, experience, number of years with your company, primary work location and roles and responsibilities of each team member, including whether they work exclusively on conversions or if they will be responsible for on-going processing of the Plans. At the end of the conversion, describe how the conversion team will transition to the on-going service team.
4. Provide the names of the three largest defined contribution plan sponsors with which your company have been involved in a plan transition during the last three years. Fully describe the transitions, including your satisfaction of each transition plan deliverable and due date. Provide the name and telephone number of a contact person at each plan sponsor that DRS may contact.
5. How many conversions has your company conducted during the past year? How many are scheduled to be completed between 7/1/99 and 8/30/00?

In responding to all of the remaining questions, indicate whether there are any differences, restrictions, limitations or concerns regarding the TAP fund. Describe fully including how the monthly vs. daily valued requirements affect staffing, communication, customer service and the delivery of various administrative services. During the evaluation process, significant consideration will be given to how respondents clearly define and explain the impact this unique aspect of the Plans will have on the provision of these record keeper services.

6.7 STAFFING AND SERVICES

1. Name the person who will have overall, hands on, account management responsibilities for the Plan. Provide the resume for this individual including his or her qualifications, experience, number of years with your company and primary work location. Describe the duties and responsibilities that this person will have.

2. Describe the percentage of time this individual will expect to dedicate to DRS's account both during the first year and later years of the contract. If the percentage of time is less than full-time, would your company consider dedicating such a person full-time to DRS's account? If so, provide the additional costs associated with a full-time account service representative in your Fee Proposal. If not, indicate why a less than fully dedicated position is adequate to handle DRS's account. This additional service needs be added to final Fee Proposal.
3. Describe how your company maintains personnel in sensitive staff positions, including:
 - Recruitment/replacement
 - Retention, including incentive programs
 - Provide surety bonds and security evaluations, including frequency of re-evaluations.
4. Describe the overall client relationship staffing that your company proposes to facilitate the coordination of the delivery of the record keeper services that your company will provide to the Plans.
5. Fully describe the professional qualifications and experience of all principals in your company who will be directly involved in the operation of the plans, including the person who will have direct responsibility for supervision and training of the customer service center personnel as well as any local service office you are proposing. Also provide this information for the person who will plan and coordinate all activities associated with communication and marketing support activities.
6. Fully describe how your company proposes to handle education support and customer service activities for the plans. Your company's staffing plan must specify the number of employees in various capacities you propose to have working on the plans and their functions. Indicate how many individuals will conduct the local group investment education meetings and where these employees are located. It should be noted that travel expenses of these individuals are the responsibility of the Respondent and must be included in the fee that your company is proposing.
7. Are you proposing a local service office? If so, include a description of the staff to be headquartered there. In addition to the local education personnel, indicate how many, if any, administrative or clerical personnel will be located there. The current local service office currently has a staff of two, which is comprised of one education personnel and one administrative and/or clerical personnel. Also, three education personnel

are assigned to different regional areas throughout the State of Washington. If your proposal is for either a higher or lower level of staffing, indicate why you believe this level is appropriate and the benefits that this level will provide to the plans.

8. Describe the services this office will be able to provide over the telephone and to walk-in customers. List the hours the office will be open. Indicate how after-hours telephone calls are handled; will there be an answering machine, will calls roll over directly to your central customer service center?
9. Your staffing plan should include your proposal of what you believe to be an adequate number of licensed and trained customer service representatives who will be able to provide complete customer services over the telephone. These services must include assistance in enrollment and the providing of investment and distribution information. The number of customer service center representatives supporting the plans should be quoted as full time equivalents. Will these representatives be dedicated to the plans?
10. List the minimum licensing requirements that your in-person educational and telephone customer service representatives will have.
11. Indicate whether any of your employees who will work on the plans receive incentive compensation (such as commissions, bonuses or other increased compensation). For each type of employee indicate the basis under which this incentive compensation is paid. Fully describe these compensation arrangements and what percentage of each type of employee's total pay is expected to be provided under the incentive-based arrangement.

6.8 RECORD KEEPING STAFFING

1. Provide the names and backgrounds of key recordkeeping staff who would be assigned to DRS's account. Describe the roles and responsibilities of each and provide an organizational chart. Who would be DRS's day-to-day contact for recordkeeping services? How many other accounts/plan is this person handling? Who would be responsible for coordination of all of the systems set-up and interfaces? Who, and at what level in your company, would have oversight responsibility for DRS's account? What staff backup exists for these primary contacts?
2. If your company uses a team approach to service clients:

- (a) How many team members would your company assign to DRS's account?
 - (b) For how many other account/clients would the assigned team be responsible?
 - (c) Describe any conflict with multiple processing schedules. How does your company provide backup?
 - (d) Describe the size of an average defined contribution service team and team members' functions.
3. Describe your company's overall recordkeeping staff — the number of personnel at various levels, their years of experience, and the turnover rates for each level of staff, including senior staff, during the last three years. Describe your company's approach when there is turnover on the project team.
4. How do you assure quality control and customer satisfaction with regard to staffing? How do you assure continuity in the event of absences of assigned staff?

6.9 TRAINING AND CONTINUING EDUCATION

1. What is your company's policy for initial and ongoing training and licensing of educational and customer service personnel? Include a description of your required licensing and education program, including:
 - number of hours of training,
 - training methodology (classroom, on-line, outside classes, etc.),
 - qualifications of instructors,
 - performance requirements for satisfaction of training program.
2. Describe the initial and ongoing training that the representatives who conduct the in-person educational meetings have in making such presentations. In particular, describe their education in investments in general and how your company proposes to train them to be knowledgeable about each of the investment options offered under the plans. Provide a detailed description on how your company intends to address educating your representatives on the TAP fund.
3. Describe your company's commitment to continuing education and outside learning. List any financial or similar incentives provided.
4. Do you have a continuing education program in place for your service personnel to stay current of plan changes, changes in the law and investments? If so, describe in detail, including:

- number of hours of continuing education,
 - training methodology (classroom, on-line, outside classes, etc.),
 - qualifications of instructors,
 - performance requirements for satisfaction of training program.
5. How will your customer service center representatives be trained on the particulars of the plans? Please provide a sample of the type of training manual that you would propose to use.

6.10 GROUP EDUCATIONAL MEETINGS

1. Fully describe how you intend to conduct group meetings under the plans. Provide a complete description of the topics to be covered and describe your company's abilities to provide the necessary information in a clear and accurate manner. The visual aids and other materials you intend to use should be described below under Communications.
2. Indicate the number of group educational meetings that you propose to have for the plans. For TRS Plan 3, if this number is less than stated in the Scope of Services, explain how this lower number of meetings will ensure that all employees will have an opportunity to learn about the plan. For SERS 3, if this number is less than the number of meetings described in the RFP, explain how this lower number of meetings will ensure that all employees will have an opportunity to learn about the plan. If the numbers are greater provide a cost/benefit analysis for why you believe an increased number of meetings is necessary.
3. Indicate how you propose to coordinate meetings so that all interested employees have an opportunity to attend a meeting at a convenient time and location.
4. Describe any survey or review mechanisms that your company has in place to ensure that the representatives are conducting group meetings in a professional manner. Describe how the findings are used to improve future presentations. How are results shared with the representatives in terms of performance improvement?

6.11 CUSTOMER SERVICE CENTER/OPERATOR ASSISTANCE

Describe the toll-free telephone system you will provide. Describe the interface that employees without touch telephone service will receive.

1. Where is your customer service center(s) located? Will your recordkeeping and administrative services also be processed at this location? If not, where will these services be provided?

2. What days/hours will benefit service representatives be available?
3. What security procedures do you use at your customer service center to authorize transactions that the participant makes over the phone?
4. Describe your "live operator" capabilities. Describe the types of transactions your operators are permitted to accept from participants? Do operators have direct access to the recordkeeping system? If a participant exits your voice response system with a problem, can operators monitor the progress of the attempted transaction?
5. How many customer service representatives/operators does your company currently employ?
6. On average, how long does it take your company to respond to participant requests in writing and over the telephone? What management procedures do you have in place to monitor response time and quality of the response? What commitment will you make to DRS regarding response time?
7. Describe your customer service staffing plan to deal with peak volume, e.g. after the issuance of participant statements or a plan change.
8. Identify the number of additional phone representatives your company would hire if your company is selected by DRS.
9. Provide the following statistics for your participant toll-free service line for the six-and 12- months ended 12/31/98:
 - a) Number of calls received
 - b) Average response time
 - c) Call abort time
 - d) Average length of calls
 - e) Percentage of calls requiring operator call-back
 - f) Percentage of calls elevated from VRS to operator assistance
 - g) Average wait time before a call is answered
 - h) Current number of telephone representatives on line during business hours
10. Describe the oversight and monitoring activities your company conducts to ensure that the service provided by your representatives meets quality standards. Describe your standards. Are your phone lines tape-recorded? How frequently (as a percentage of total phone time) do supervisors monitor representatives' conversations?

11. What language services other than English are available? Confirm your ability to provide TDD services.
12. Confirm your company's ability to:
 - a) Average Speed of Answer (ASA) — guarantee that 85 percent of calls are answered within 20 seconds of the first ring
 - b) Busy Rate — guarantee that less than one (1) percent of calls receive a busy signal
 - c) Abandoned Call Rate — guarantee that less than three (3) percent of calls are not answered
13. Provide sample statistical reports you prepare for clients showing how you monitor these statistics. Indicate whether you will be able to maintain the same level of service for the walk-in service center? If different, please provide.
14. How frequently have you made your targets for the above statistics for your five largest clients over the last year? Provide the targets and the actual statistics.

6.12 VOICE RESPONSE AND INTERNET SYSTEMS

1. Describe fully the interactive voice response and Internet systems your company would provide. What security features are in place to ensure only the correct participant is given personal information? Describe your Personal Identification Number (PIN) generation capabilities (for new participants) and on-going PIN administration capabilities.
2. Please describe in detail the on-line inquiry and transactional capabilities your system supports. During what hours are the systems available? What are the routine maintenance periods? Provide statistics for the last twelve (12) months on down time other than routine system maintenance. How do you control system access?
3. Please provide a complete description of capabilities for both inquiries and transactions.
 - a) How do your systems support new enrollments?
 - b) Describe how each of the following activities are provided:
 - Account balance information
 - Fund performance
 - Fund transfers
 - Contribution changes

- Investment allocation changes
 - Withdrawal initiation
 - Distribution initiation
 - Plan provision explanations/assistance
 - Tax status information
- 4. How will your system be customized to address the daily and monthly valuations under the plans. Describe fully what information and transactions participants will be able to conduct under each type of valuation. Can you provide interaction in languages other than English? If so, what languages?
- 5. When was your first voice response system installed for defined contribution record keeping clients? When was your first Internet access system installed for defined contribution recordkeeping clients? How many plans currently utilize these services? What is the total number of participants covered under these plans.
- 6. Are these systems integrated into your defined contribution record keeping system database? Please describe. How do you handle changes to pending transactions on these on-line systems?
- 7. Describe the reports that DRS will receive relating to call volumes, response time, abandoned calls, number of transactions, etc. What reporting will be provided on Internet usage. Please provide sample reports.
- 8. Provide samples of the confirmation statements you will generate.
- 9. What vendor provides your voice response and Internet access software and hardware?
- 10. How many staff members are employed in the area that supports your on-line systems? How many are programmers? Do any work exclusively on on-line systems. If so, specify.

6.13 COMMUNICATIONS

1. Provide a detailed communication plan enumerating and describing all visual and auditory communication materials you will provide to the plans. This communication plan should include the visual aids used during educational meetings, informational Internet sites, written communication materials, video or alternative communication sources, etc.

2. Provide samples of materials that you have used in similar situations, along with a description of how you will customize these materials for the plans. Fully describe your company's commitment to customizing these materials. For each education component (including Internet, VRS, as well as print pieces such as brochures, newsletters, statements and administrative forms), itemize the number of design and development hours by category of employee (e.g., graphic designer, communications consultant, writer and programmer). Provide estimates of what percentage of each are internal vs. external resources.
3. Describe how you intend to ensure that DRS is actively involved in the development of the initial and future materials. Describe how you propose to incorporate DRS input without delaying the development and production of materials and what turnaround and similar requirements you would impose.
4. Describe how these visual communication materials, as well as information provided by your company's educational and customer service representatives, will describe the difference between the various investment options under the plans, including the TAP fund. Describe how your representatives would respond to the question, what information would be provided and the approach that the representative would take toward making suggestions or giving advice.
5. Describe the materials or other support you will provide to assist DRS in educating participants about the use of your company's customer service center and on-line systems.
6. Describe the educational video and/or CD ROM your company would prepare for the plans. Indicate what portions of the video and/or CD ROM (concept, script, taping, editing, production) are conducted in-house and which are subcontracted. Provide a sample of a video and/or CD ROM that you have prepared for a similar client.
7. Describe the educational tools and materials your company proposes to use to assist participants in defining their level of risk tolerance and long term savings goals and matching those elements with appropriate investment options within the plans. Describe how your company's approach has assisted participants in constructing portfolios with appropriate levels of diversification within risk parameters that they are comfortable with. How will the plan's pre-mixed portfolios be incorporated? Describe a similar situation in which you have provided similar service and provide samples.

8. Is your company proposing to provide retirement planning services? If so, describe fully. Provide samples of the presentations, workbooks, interactive materials, newsletters and other materials you use. Indicate your company's philosophical approach to retirement planning and the benefits to participants and the plans.
9. Describe how you propose to make Internet access available to Plan participants and what capabilities and features would be available. Indicate what relevant experience your company has that distinguishes its Internet capabilities from your competitors.
10. Provide the contact name and telephone numbers of three clients for whom your company has developed a custom Web site. Describe the features of each site and provide sample print screens.
11. Provide the address and necessary access codes or passwords so that DRS can test your Internet transaction capabilities. Indicate the time period for which this access will be available to DRS.
12. Provide a sample survey you would use to measure participant satisfaction with all of your services. Indicate how you would report survey results to DRS and how you propose to improve areas identified as needing improvement.

6.14 RECORD KEEPING

1. Fully describe your company's unallocated recordkeeping abilities and methodology, including, as mentioned earlier, how these methodologies will be adapted for both daily and monthly valuation of assets.
2. Describe your company's experience in interfacing on a daily basis with a variety of investment companies. Please list the investment companies that you currently interface with on a daily basis. Please indicate whether there are any investment companies with which your company cannot work. List the number of situations in which you interface with SSGA. Describe your company's abilities to interface with a client's internal investment manager. Indicate whether you currently have similar arrangements for any of your company's existing clients.
3. Describe your procedures for ensuring that the plan is in balance on both a daily and monthly basis. Do you use share or unit accounting for daily valuations? Monthly valuations?

4. Describe your procedures for communicating purchase and sale directions (e.g., transfers, withdrawals, rollovers) to third-parties/custodians/internal manager.
5. Describe all controls taken to ensure the timeliness of recordkeeping, that each participant's account complies with all provisions of the plans and government regulations and that, to the degree required, all forms and authorizations are complete and on file.
6. How are errors handled through your recordkeeping system for:
 - a) Contributions
 - b) Withdrawals/Distributions (both over- and under-payments)
 - c) Transfers
 - d) Allocation of earnings
 - e) Tax reporting
7. Is this error-handling process manual or can corrections be handled on the system?
8. What hardware/systems/formats are presently in place for electronic receipt and upload of information from clients? Describe how you propose data would be transmitted to and from DRS giving a proposed data transmission plan identifying various types of information expected to be transmitted, how each type of data will be transmitted and what timeframes would be necessary.
9. Are your systems Year 2000 compliant? If not, when will they be? Confirm that your company warrants that all software either used for, sold to, or licensed to DRS prior to, during, or after the calendar year 2000, shall not experience software abnormality and/or the generation of incorrect results from the software, due to date oriented processing.
10. What types of edits does your company perform on payroll data? How soon after receipt of the files are the edits performed? Describe your process for resolving data discrepancies.
11. In the format below, describe your company's standards for performance. Assume all data, wires or other requests are received in reasonably good condition, before your cutoff time for the day, and that any required employer approvals have been received.

Activity	Quality standard (business days)	Explanation
Contribution reconciliation and posting	___ days from receipt of payroll data	
Withdrawals paid	___ days from receipt of request	
Distributions paid	___ days from receipt of request	
Investment fund transfers processed	___ days from receipt of request	
Confirmations mailed	___ days from execution of transaction or request	
Participant statements mailed	___ days from period end	

12. For each of the transactions listed above, describe the interface between DRS staff and your company.
13. Describe what information you maintain in a participant's account record. Confirm that this complies with DRS' requirements as outlined in the RFP.
14. DRS will be passing transactions to the record keeper that will require a unique designation in the participant's account. Describe your ability to process and identify the following specialized transactions:
 - Service credit purchase
 - Substitute Teaching
 - Military Service Credit
 - Leave Without Pay
 - Restoration of service
 - Gain sharing
 - Transfer Payment
15. Describe in detail how you propose to conduct the split of contributions between TAP and the self direct investment options and reconciling individual participant contributions in accordance with DRS's requirements and parameters, including the monthly valuation requirements. Provide a timeline of the process, including time requirements on the receipt of NAV information from the outside investment provider and month end values for the internally managed option. How will you provide confirmation of the receipt of funds to DRS?
16. Describe how you will handle the crediting of interest in the STIF for assets received for which contribution data has not been received. Describe the differences between the daily and monthly valued portions of the plans. Include a description of your procedures for reconciling the

plan depository investment accounts and the information and statements that you will provide to DRS.

17. Give any minimum time guarantees your company provides as well as your company's policy on retroactively correcting any erroneous transfers. Provide a timeline fully describing the procedures and time required for your company to transfer all or a portion of a participant's account balance in an investment option to another investment option. Describe how the processes will be different for the daily vs. monthly valued portions. Give any minimum time guarantees you provide as well as your company policy on retroactively correcting any erroneous transfers. Indicate whether you will make the participant whole at your company's (and not the plan's) expense if the erroneous contribution is due to your company's error. Provide a complete timeline, including the terms and conditions under which you can provide a transfer at that day's purchase price. What time cutoffs must the investment companies meet in order to provide a sample of your written confirmation of transfer? Your system must process transfer of account balance by percent and by dollar amount.
18. Will you maintain copies of plan records (beneficiary designations, asset allocations etc)? How do you propose to store and retrieve, by hard copy, electronic media, other?
19. Clarify how you expect to process participant changes in investment elections. Confirm that you will be able to provide written confirmation of the change to participants within three (3) business days of the change. Describe how you will handle transfer requests for participants wishing to change from the record keeper to the self direct portion or vice versa. Confirm that you do not intend to impose any limitations such as a maximum number of changes, contribution investment transfers or elections.
20. Pre-Mixed Portfolio Funds
 - Describe your company's ability to provide record keeping for the pre-mixed portfolio (life cycle) funds, including your ability to rebalance portfolios on at least a monthly basis. On what basis and how often do you propose to rebalance portfolios and under what methodology, such as unitization?
 - List all clients for whom you provide record keeping for custom pre-mixed portfolio funds. For each, indicate how long you have provided these services and give a brief description of the services provided.

- Describe any limitations or restrictions your company would impose in providing services for this option.

6.15 FEES

1. Describe how your company will handle the deduction of administrative fees from participant accounts. Indicate that you can collect different fees from the TAP vs. self direct portions of the plans. Indicate any limitations on the type of fees and/or method of collection.
2. Confirm that your company can provide detailed reports (by fee type) depicting all fees collected from participant accounts. Confirm that your company can provide detailed reports substantiating fees associated with services provided by your company.
3. If needed, confirm that your company will assist DRS and/or its registered investment advisor in obtaining reimbursements and other fees from plan investment service providers. Describe any preferential pricing or similar alliance arrangements that you have negotiated on behalf of your clients.

6.16 STANDARD REPORTING

1. Included as Exhibit G is the ERBB monthly report that DRS receives from its current record keeper, indicating financial activity and member participation data. List and describe the reports your company proposes to prepare for DRS. Indicate what additional information your reports would provide. Confirm that your reports would not provide less information than described in Section 2.1.7 and that your reports will meet the requirements described in the RFP.
2. To what extent can these proposed reports be customized? What is the cost to receive ad-hoc reporting and what are the limitations of what DRS can request. What is the process for developing customized report formats and delivery mechanisms customized to client requests?
3. Provide a full set of standard daily, monthly, quarterly, and annual accounting statements and reports. (NOTE: Include enough pages of each report to demonstrate its use and distinguishing features; total reports are not required.) Include with your proposal a set of screen formats used for electronic delivery.
4. What is the timeliness of reports by hard copy? By electronic delivery? Include the average response time to receive standard reports? Special reports?

5. Provide samples of the type of edit reports that would be issued for all types of transactions.

6.17 PARTICIPANT STATEMENTS

1. Indicate that your company will provide DRS with copies of the statements on CD-ROM or through on-line file transmission.
2. A copy of DRS's current statement of account is provided in Exhibit E. Confirm that your company's statement will be personalized for DRS and that your company can provide, at a minimum, all the data currently provided on DRS' current statement of account. Describe any statement enhancements your company proposes. Provide a sample statement.
3. For the past four quarters, provide the average number of days required to issue quarterly statements for your company's five largest (by number of participant accounts) daily recordkeeping clients. Confirm that you can provide quarterly participant statements of account within ten (10) days of the end of the quarter for the daily valued investment options. Indicate by what date you must receive data from the State Investment Board in order to provide statements within the current timeframe as described in the RFP.
4. For your five largest clients, provide your company's statement accuracy percentage; i.e., the percentage of statements that are not mailed on the normal mail date because of an unresolved discrepancy. Confirm that you will agree to incorporate a minimum error percentage in your contract.

6.18 DISTRIBUTION SERVICES

1. Describe in detail the distribution counseling services that your representatives would be able to provide for participants invested in the self-direct investment options. Counseling should, at a minimum, include reviewing the distribution options and their advantages and disadvantages, including tax impact. Provide samples of the written materials and applications that you would propose sending to participants who have requested distribution information. Attach samples of the forms that your company uses for election of form of payment. Describe how your representatives would be able to assist participants in completing the applications. Describe how you will communicate the different payment options (annuity and installment payments).
2. The record keeper will be required to provide an annuity shopping service for the self direct balances. List and describe your package's normal distribution options. Confirm that your company will provide at least the

same distribution options as currently provided under the plans. If not, identify those distribution options you will not provide.

3. For the annuities that you have provided, give the actual and guaranteed purchase rates per \$1,000 for the following payment options on June 30, 1997, 1998 and 1999. Provide purchase rates for a participant age 50, 55, 60, 62 and 65. For joint and survivor payment options assume that the spouse is the same age. Unisex rates are required.
 - Life only
 - Life and 10 years certain
 - 50% joint and survivor
4. For the annuity purchase rates listed above, list the commissions, if any, your company receives. Note that your company must fully disclose all commissions paid for annuities purchased under the Plans.
5. Does your record keeping system accommodate all applicable federal and state tax and withholding calculations? Describe.
6. Describe how you monitor the age 70-1/2 minimum distribution requirements. How does your system accommodate MDRs for participant who are still working?
7. Describe your company's procedures for processing the termination or retirement of an employee. Start with the date a participant terminates and end with the receipt of distribution.
8. Also, describe how the appropriate Internal Revenue Service reporting (Form 1099) and withholding is conducted. What controls are in place to ensure that both the Federal and State Tax Tables are updated in the system timely to reflect the most current tax tables? All liability for such withholding and reporting will be the responsibility of the contractor. Describe how your company handles the direct rollover and notice requirements.
9. Confirm that you provide direct deposit for an installment or systematic withdrawal payment to a participant's personal bank account?
10. What is your company's policy regarding stale dated checks? How long can the unredeemed funds remain in your disbursement account? How are these funds tracked and monitored?

6.19 DRS SUPPORT SERVICES AND ON-LINE RECORD KEEPING SYSTEM ACCESS

1. Describe the arrangements under which your company will provide DRS staff on-line, inquiry only access to plan records. Describe the data that will be available to staff and provide copies of the data screens that staff will view. What functions are available through on-line access? What type of training will you provide DRS staff in the use of the system? How frequently will you agree to conduct such sessions? Indicate that the administrative manual that your company will provide, as described in the Scope of Services, will contain complete instructions on how to access and view such information and how to trouble shoot routine problems.
2. Describe the computer hardware, phone line and modem capabilities that DRS must have in order to be able to access a plan database. How many clients currently use on-line access?
3. Indicate what security precautions your company will require. Is the on-line system integrated with the voice response system?
4. Fully describe the reporting capabilities that staff access to the system will provide. Attach copies of these reports. Indicate any restrictions that your company will impose regarding the information and reporting that can be obtained or in terms of time of access to the system to generate desired reports.
5. Detail the typical turnaround time for several types of special reports commonly requested by clients. Discuss the type and timing of data available by electronic delivery for:
 - On-line view
 - On-line manipulation
 - On-line download of formatted data
 - On-line download of raw data
 - Report-writing access
6. Confirm that your company will make available a representative who will assist staff in correctly obtaining access to the database and generating reports. Describe the capabilities and qualifications of that individual and what steps your company will take in order to ensure that DRS staff can obtain resolution to problems on a timely basis.

6.20 SYSTEM SUPPORT AND CHANGES

1. Indicate whether your record keeping system is owned by your company or subcontracted from another organization. If your company owns the

system, was it originally purchased from an outside vendor? If so, from whom? Does your company have a maintenance agreement with the vendor for on-going support? Is your company allowed to modify the system? If the system was not purchased, when was it first put into place and last updated? What plan do you have for significant changes? Describe any pending changes and proposed implementation dates. If the system is subcontracted, provide details of the arrangement and the name and qualifications of the organization.

2. Do you foresee any specific problems incorporating the plans into your record keeping system? If so, describe them in detail.
3. How much has your company spent on system and technology enhancements in each of the past two calendar years? What expenditure is planned for the next two years?
4. Does your company have a separate systems support group for your recordkeeping system? What is the size of the internal systems staff that supports your company's system?
5. Does your company propose to charge for system modifications required by legislative changes? If so, indicate the anticipated charge schedule in your fee quote. Does your company propose to charge for system modifications requested by the DRS? If so, indicate the anticipated charge schedule in your fee quote.
6. Describe your company's system back up, security and disaster recovery procedures. Are files archived and stored at an off-site location? If so, what is the location? Have procedures been tested? When did you last perform a full-scale disaster recovery test? Provide a copy of the test results.
7. Describe your company's capability for electronic data transfer between your system, the payroll centers, the trustee/custodian's, and the investment managers. Do other systems have to conform to your data formats, or do you customize your formats to meet others' needs/capabilities? If so, the cost for customization should be included in your fee proposal. Does your company use electronic mail to communicate with the various parties?
8. Describe and provide a sample of the administrative procedures and policies manual outlining all the administrative requirements as well as sample forms and instructions.

6.21 ACCOUNTING AND REPORTING CAPABILITY

1. How does your company handle information on QDROs in your record keeping system?
2. Can your system monitor 415 limits? Describe.
3. Describe how you handle audit documentation where paperless processing has occurred.
4. Confirm that you will be able to provide the necessary information requested by DRS and its auditors as outlined in the Scope of Services.
5. Provide a copy of your company's SAS 70 audit. Indicate how frequently your company has this audit conducted.
6. Indicate what legal and advisory services you will provide DRS in administering its plan in conformance with the appropriate laws and regulations. Indicate how you will review and inform DRS of changes in the law and current legislation potentially impacting the plan.
7. How many attorneys and how many paralegals are on staff? Describe their qualifications. How does your company charge for these services? Describe how your company would interface with DRS and the State's corporate and outside counsel.
8. For your company's five largest public sector clients, describe the general consulting and support services you have provided during the last year. Indicate what issues you have been involved in identifying and resolving.
9. During State legislative sessions, there are frequently requests for the financial and administrative impacts of proposed plan modifications that are being considered by the legislature. Describe your experience in working with public sector clients in addressing legislative requests for information during session and your ability to meet the immediate timeframes that usually accompany these requests.

6.22 ADDITIONAL INFORMATION

1. Describe the procedures and safeguards you use to protect the confidentiality of information on participants and beneficiaries.
2. If the above answers do not sufficiently cover all the pertinent facts which qualify your company, summarize additional information below.

3. This RFP has outlined the services required to be provided under a contract for record keeper services. If, as a part of your record keeper Service package, there are additional, superior or unusual services that will be or could be provided at no cost, describe them in detail.
4. For any of the services requested, if your company would like to propose an alternative approach to providing the services than the approach described in the RFP, fully describe the alternative(s) and indicate how this alternative approach would provide better overall services to Plan participants.

7. QUESTIONNAIRE FOR DCP AND JRA PLANS

In providing your company's responses to the questions below, restate each question in bold face type with your response directly below. Your company's proposal, and consequently your responses to the following questions, will be incorporated as part of the contract between your company and DRS. For proposals made as joint ventures, requested information should be provided for all companies that will be a party to the proposed services.

If your response to a question differs between providing services to the DCP plan versus the JRA plan, please note and clearly explain the differences. Since DRS may select separate companies to provide services for TRS Plan 3/SERS Plan 3 and DCP, respondents should provide information here as if they were providing services to only the DCP and JRA Plans; however, where appropriate reference should be made to how services would be coordinated if DRS selected your company to provide services under both TRS Plan 3/SERS Plan 3 and DCP and what affect this would have the delivery of your company's services.

7.1 COMPANY INFORMATION

1. Give the name and address of your company. Provide the name, title, address and telephone and fax numbers of the contact person from your company whom we may contact with questions regarding your response.
2. Your company must be able to provide all the services and accept all the terms as outlined in this RFP. If your company can provide substantially all of the services but you require an exception to some specific provision of this RFP, state the reason for the exception and the substitution offered.
3. Give a brief history of your company. Supply an audited financial statement for the most recently closed fiscal year.

4. Is your company a subsidiary or affiliate of another company? Give full disclosure of all direct or indirect ownership.
5. Describe any pending agreements to merge or sell your company.
6. Has your company undergone a change in senior management in the last five years? Describe the change in detail.
7. Has your company ever filed a petition or been petitioned into bankruptcy or insolvency or has your company ever made any assignment for the benefit of your creditors? If so, provide complete details.
8. Describe your errors and omissions coverage. Describe the various types of insurance coverage and indemnification provided to protect clients, including:
 - Risks covered
 - Carriers
 - Levels
 - Limits
 - Deductibles

7.2 EXPERIENCE

1. For how many clients does your company currently provide the requested services? As of 12/31/98 provide the following information:

ALL GOVERNMENTAL DEFINED CONTRIBUTION PLANS¹

Plan Size	Number of Plans	Average Number of Years Company Has Provided Service	Average Number of Investment Options	Total Assets
Under 500 participants				
500 to 999 participants				
1000 to 4,999 participants				
5,000 to 10,000 participant				
10,00 to 25,000 participants				
Above 25,000 participants				
Total				

¹ Defined contribution includes 401(a) defined contribution, 457, 403(b) and 401(k) plans.

GOVERNMENTAL 457 PLANS

Plan Size	Number of Plans	Average Number of Years Company Has Provided Service	Average Number of Investment Options	Total Assets
Under 500 participants				
500 to 999 participants				
1000 to 4,999 participants				
5,000 to 10,000 participant				
10,00 to 25,000 participants				
Above 25,000 participants				
Total				

2. Provide five client references most like DRS. Fully describe the circumstances of your engagement and include the following:
 - a) Company name
 - b) Contact name and title
 - c) Telephone and fax numbers
 - d) Number of participants
 - e) Amount of plan assets
 - f) Length of relationship
 - g) Whether the relationship involves providing record keeping for independent, unallocated investments.
3. Provide a statement of your company's strategic commitment to the public sector deferred compensation line of business and any documentation or evidence to support this commitment. Explain briefly the organization of your company with emphasis on the division and personnel providing deferred compensation services within that organizational structure. Provide an organizational chart.
4. Indicate whether your company is a licensed broker/dealer and licensed to accept payment from investment companies for providing individual account record keeping and marketing and enrollment services. Indicate that you agree to fully disclose all fees received.

7.3 CONTRACTUAL ISSUES

1. Has your company been involved in litigation in the last five years or is there any pending litigation arising out of your performance or participation in a deferred compensation plan? Exclude routine interpleader actions, garnishments and similar routine matters involving participants and beneficiaries that do not reflect on your performance of your contract. If so, please describe.
2. Has your company been cited or threatened with citation within the last five years by federal or any state regulators for violations of any state or federal law and impending regulations? If your answer is yes, please describe fully.
3. Has your company had a contract terminated by a client for cause within the last five years? If so, by whom and under what circumstances? Provide the name and telephone number of each client that has terminated your company's services.
4. Has your company had a contract non-renewed by a client within the last five years? If so, by whom? Provide the name and telephone number of each client that has non-renewed your company's services.
5. Is your company licensed to conduct business in the State of Washington? If not, please attach an opinion of counsel giving his or her opinion as to whether he or she anticipates any difficulties in obtaining all necessary licenses prior to the effective date of the contract. Does delivery of all your services comply with all federal and State of Washington regulations? If not, specify.
6. If applicable, in the past five years, has your company ever been denied a license to do business, a license as an agent or broker, or any other insurance license? If so, please state the date of the denial, the license denied, the state in which the license was denied, the reason given for denial of the license, whether there has been a bona fide change of ownership or management since your license was denied and whether you have eliminated the cause for which the license was denied.
7. In the past five years, has your company ever had a license to do business, an agent/broker license or any other insurance license revoked or suspended? Has your company ever been reprimanded by a licensing agency? If so, please describe fully.

7.4 CLIENT SATISFACTION

1. Describe in detail your company's client relations process:
 - Formal and informal oral and written communications
 - Inquiry and problem resolution processes
 - Information on available services
 - Training in the use of the service and systems access
 - Other: _____
2. How does your company measure and evaluate client satisfaction? How does your company intend to report the results of such measurement to DRS?
3. Does your company conduct client specific employee surveys to measure employee satisfaction with its administrative service? What is the cost of this service? Do not include this cost in your fee proposal.
4. What safeguards would you utilize to assure DRS that it is informed of all serious or repetitive complaints regarding your company's performance? How will you notify DRS of potential problems? How will written and verbal complaints be handled and resolved within your organization? How long do complaints remain at each level before escalation to the next? Describe your escalation procedures. Describe your formal conflict resolution process. Note that any unresolved complaints must be reported to DRS after five (5) days.
5. What quality control systems do you have in place? Describe fully. Describe the quality improvement system you have in place.
6. What distinguishes your client service program for a deferred compensation plan from that of other companies?
7. How will you assure quality service from your subcontracted companies, if used?

7.5 TRANSITION PLANS

1. Describe in detail your plan for the transition process described in the RFP. Confirm your ability to meet the implementation dates listed in the RFP. Provide a detailed work plan and flow chart of activities, responsibilities and time frames for conversion of the plans. Attach sample copies of communication pieces that you would use.

2. In your experience, what are the typical causes of delays during the conversion process? How does your company manage the process to minimize these delays? Indicate the steps that you would take to minimize the inconvenience and confusion to DRS and State employees.
3. What is the minimum amount of time that your company would require to conduct this conversion? How much notice will your company require to begin this conversion? Provide an estimate of the type and amount of resources that DRS would need to provide for you to transition the records maintained by DOP to your system.
4. How will your company guarantee its stated implementation time frame?
5. Describe your experience with record keeping conversions in which some or all records are maintained by the plan sponsor. Comment on how you propose to handle the unique problems associated with the transition of in-house records. List these clients and a contact name and telephone number.
6. Fully describe the required blackout period during the conversion in which no transactions can take place. How is the investment of new contributions handled during conversion? Will your company allow distributions during conversion? Describe restrictions fully.

7.6 CONVERSION TEAM AND EXPERIENCE

1. Regarding your company's general conversion team staffing, how many employees do you have that work exclusively on conversions? Describe how your conversion team(s) coordinates with the regular client service team and the typical number of conversions a team works on simultaneously.
2. List the expected members of the conversion team you will assign to the plans. Indicate whether one or both of the teams (or some portion of their members) will work exclusively on the State's conversion. Indicate whether this is the same or different from the team(s) that will work on the SERS Plan 3 implementation and TRS Plan 3 transition. Will any of the conversion team members be assigned on-site at DRS offices during and/or after the transition period? Indicate whether your company will provide a full-time company representative who will be located at DRS's site during the duration of the conversion process. At a minimum this should be the three months before, and the three months after, the effective date of the contract.

3. Describe the qualifications, experience, number of years with your company, primary work location and roles and responsibilities of each team member, including whether they work exclusively on conversions or if they will be responsible for on-going processing of the plans. At the end of the conversion, describe how the conversion team will transition to the on-going service team.
4. Provide the names of the three largest deferred compensation plan sponsors with which your company have been involved in a plan transition during the last three years. Fully describe the transitions, including your satisfaction of each transition plan deliverable and due date. Provide the name and telephone number of a contact person at each plan sponsor that DRS may contact.
5. How many conversions has your company conducted during the past year? How many are scheduled to be completed between 7/1/99 and 6/30/00.

7.7 STAFFING AND SERVICES

1. Describe how your company maintains personnel in sensitive staff positions, including:
 - Recruitment/replacement
 - Retention, including incentive programs
 - Provide surety bonds and security evaluations, including frequency of re-evaluations.
2. Describe the overall client relationship staffing that your company proposes to facilitate the coordination of the delivery of the record keeper services that your company will provide to the plans. Name the person who will have overall, hands on, account management responsibilities for the plans. Provide the resume for this individual including his or her qualifications, experience, number of years with your company and primary work location. Describe the duties and responsibilities that this person will have.
3. Describe the percentage of time this individual will expect to dedicate to DRS's account both during the first year and later years of the contract. If the percentage of time is less than full-time, would your company consider dedicating such a person full-time to DRS' account? If so, provide the additional costs associated with a full-time account service representative in your Fee Proposal. If not, indicate why a less than fully dedicated position is adequate to handle DRS' account.

4. Fully describe the professional qualifications and experience of all principals in your company who will be directly involved in the operation of the plans, including the person who will have direct responsibility for supervision and training of the customer service center personnel as well as any local service office you are proposing. Also provide this information for the person who will plan and coordinate all activities associated with communication and marketing support activities.
5. Fully describe how your company proposes to handle education support, enrollment and customer service activities for the plans. Your company's staffing plan must specify the number of employees in various capacities you propose to have working on the plans and their functions.
6. Your staffing plan should include your proposal of what you believe to be an adequate number of licensed and trained customer service representatives who will be able to provide complete customer services over the telephone. These services must include assistance in enrollment and the providing of investment and distribution information. The number of customer service center representatives supporting the plans should be quoted as full time equivalents. Will these representatives be dedicated to the plans?
7. List the minimum licensing requirements that your in-person educational and telephone customer service representatives will have.
8. Indicate whether any of your employees who will work on the plans receive incentive compensation (such as commissions, bonuses or other increased compensation). For each type of employee indicate the basis under which this incentive compensation is paid. Fully describe these compensation arrangements and what percentage of each type of employee's total pay is expected to be provided under the incentive-based arrangement.

7.8 RECORD KEEPING STAFFING

1. Provide the names and backgrounds of key record keeping staff who would be assigned to DRS's account. Describe the roles and responsibilities of each and provide an organizational chart. Who would be DRS's day-to-day contact for record keeping services? How many other accounts/plan is this person handling? Who would be responsible for coordination of all of the systems set-up and interfaces? Who, and at what level in your company, would have oversight responsibility for DRS's account? What staff backup exists for these primary contacts?
2. If your company uses a team approach to service clients:

- (a) How many team members would your company assign to DRS's account?
 - (b) For how many other account/clients would the assigned team be responsible?
 - (c) Describe any conflict with multiple processing schedules. How does your company provide backup?
 - (d) Describe the size of an average deferred compensation service team and team members' functions.
3. Describe your company's overall record keeping staff — the number of personnel at various levels, their years of experience, and the turnover rates for each level of staff, including senior staff, during the last three years. Describe your company's approach when there is turnover on the project team.
4. How do you assure quality control and customer satisfaction with regard to staffing? How do you assure continuity in the event of absences of assigned staff?

7.9 TRAINING AND CONTINUING EDUCATION

1. What is your company's policy for initial and ongoing training and licensing of customer service personnel? Include a description of your required licensing program, including:
- number of hours of training,
 - training methodology (classroom, on-line, outside classes, etc.),
 - qualifications of instructors,
 - performance requirements for satisfaction of training program.
2. Describe your company's commitment to continuing education and outside learning. List any financial or similar incentives provided.
3. Do you have a continuing education program in place for your service personnel to stay current of plan changes, changes in the law and investments? If so, describe in detail, including:
- number of hours of continuing education,
 - training methodology (classroom, on-line, outside classes, etc.),
 - qualifications of instructors,
 - performance requirements for satisfaction of training program.

4. How will your customer service center representatives be trained on the particulars of the plans? Please provide a sample of the type of training manual that you would propose to use.

7.10 LOCAL ENTITY SUPPORT SERVICES

1. Eligible local employers may also offer other Section 457 plans to their employees. Indicate whether your company has experience in providing services to local entities when there is a competing plan. Indicate how you propose to provide services in such a situation.
2. Indicate whether your company provides 457 plan services to any local governmental entities in Washington. Describe the other safeguards and procedures your company intends to provide to avoid complications and potential conflict in situations in which your company provides services to a local entity also participating in the State's DCP Plan.

7.11 CUSTOMER SERVICE CENTER/OPERATOR ASSISTANCE

1. Describe the toll-free telephone system you will provide. Describe the interface that employees without touch-tone telephone service will receive.
2. Where is your customer service center(s) located? Will your record keeping and administrative services also be processed at this location? If not, where will these services be provided?
3. What days/hours will benefit service representatives be available?
4. What security procedures do you use at your customer service center to authorize transactions that the participant makes over the phone?
5. Describe your "live operator" capabilities. Describe the types of transactions your operators are permitted to accept from participants? Do operators have direct access to the record keeping system? If a participant exits your voice response system with a problem, can operators monitor the progress of the attempted transaction?
6. How many customer service representatives/operators does your company currently employ?
7. On average, how long does it take your company to respond to participant requests in writing and over the telephone? What management procedures do you have in place to monitor response time and quality of the response? What commitment will you make to DRS regarding response time?

8. Describe your customer service staffing plan to deal with peak volume, e.g. after the issuance of participant statements or a plan change.
9. Provide the following statistics for your participant toll-free service line for the six and twelve months ended 12/31/98:
 - a) Number of calls received
 - b) Average response time
 - c) Call abort rate
 - d) Average length of calls
 - e) Percentage of calls requiring operator call-back
 - f) Percent calls elevated from VRS to operator assistance
 - g) Average wait time before a call is answered
 - h) Current number of telephone reps on line during business hours
 - i) Number of additional phone reps your company would hire if your company is retained by DRS.
10. Describe the oversight and monitoring activities your company conducts to ensure that the service provided by your representatives meets quality standards. Describe your standards. Are your phone lines tape-recorded? How frequently (as a percentage of total phone time) do supervisors monitor representatives' conversations?
11. What language services other than English are available? Confirm your ability to provide TDD services.
12. Confirm your company's ability to:
 - a) Average Speed of Answer (ASA) — guarantee that 85 percent of calls are answered within 20 seconds of the first ring.
 - b) Busy Rate — guarantee that less than 1 percent of calls receive a busy signal.
 - c) Abandoned Call Rate — guarantee that less than 3 percent of calls are not answered.
13. Provide sample statistical reports you prepare for clients showing how you monitor these statistics.
14. How frequently have you made your targets for the above statistics for your five largest clients over the last year? Provide the targets and the actual statistics.

15. Do your customer service representatives have the ability to answer participant questions on investment alternatives and provide participants an analysis of the consequences of making deferrals and projected accumulation values?
16. If a participant contacts your company with questions as to whether he or she should participate in the 457 plan, describe how your representative would respond to the question, what information would be provided and the approach that the representative would take toward making suggestions or giving advice.

7.12 Voice Response and Internet Systems

1. Describe fully the interactive voice response and Internet systems your company would provide. What security features are in place to ensure only the correct participant is given personal information? Describe your Personal Identification Number (PIN) generation capabilities (for new participants) and on-going PIN administration capabilities.
2. Please describe in detail the on-line inquiry and transactional capabilities your system supports. During what hours are the systems available? What are the routine maintenance periods? Provide statistics for the last twelve (12) months on down time other than routine system maintenance. How do you control system access?
3. Please provide a complete description of capabilities for both inquiries and transactions. Describe how each of the following activities are provided:
 - Account balance information
 - Fund performance
 - Fund transfers
 - Contribution changes
 - Investment allocation changes
 - Withdrawal initiation
 - Distribution initiation
 - Plan provision explanations/assistance
 - Tax status information
4. When was your first voice response system installed for deferred compensation record keeping clients? When was your first Internet access system installed for deferred compensation record keeping clients? How many plans currently utilize these services? What is the total number of participants covered under these plans?

5. Are these systems integrated into your deferred compensation record keeping system database? Please describe. How do you handle changes to pending transactions on these on-line systems?
6. Describe the reports that DRS will receive relating to call volumes, response time, abandoned calls, number of transactions, etc. What reporting will be provided on Internet usage. Please provide sample reports.
7. Provide samples of the confirmation statements you will generate.
8. What vendor provides your voice response and Internet access software and hardware?
9. How many staff members are employed in the area that supports your on-line systems? How many are programmers? Do any work exclusively on on-line systems. If so, specify.
10. Provide the contact name and telephone numbers of three clients for whom your company has developed a custom Web site. Describe the features of the site and provide sample print screens.
11. Describe how you propose to make Internet access available to Plan participants and what capabilities and features would be available. Indicate what relevant experience your company has that distinguishes its Internet capabilities from your competitors.
12. Provide the address and necessary access codes or passwords so that DRS can test your Internet transaction capabilities. Indicate the time period for which this access will be available to DRS.

7.13 COMMUNICATIONS

1. Provide a detailed communication plan enumerating and describing all visual and audio communication materials you will provide to the plans. This communication plan should include the visual aids, informational Internet sites, written communication materials, video or alternative communication sources, etc.
2. Provide samples of materials that you have used in similar situations, along with a description of how you will customize these materials for the plans. Fully describe your company's commitment to customizing these materials. For each education component (including Internet, VRS, as well as print pieces such as brochures, newsletters, statements and administrative forms), itemize the number of design and development

hours by category of employee (e.g., graphic designer, communications consultant, writer and programmer). Provide estimates of what percentage of each are internal vs. external resources.

3. Describe how you intend to ensure that DRS is actively involved in the development of the initial and future materials. Describe how you propose to incorporate DRS input without delaying the development and production of materials and what turnaround and similar requirements you would impose.
4. Describe how these visual communication materials, as well as information provided by your company's educational and customer service representatives, will describe the difference between the various investment options under the plans, including the internally managed stable value fund. Describe how your representatives would respond to the question, what information would be provided and the approach that the representative would take toward making suggestions or giving advice.
5. Describe the materials or other support you will provide to assist DRS in educating participants about the use of your company's customer service center and on-line systems.
6. Describe the educational video your company would prepare for the plans. Indicate what portions of the video (concept, script, taping, editing, production) are conducted in-house and which are subcontracted. Provide a sample of a video that you have prepared for a similar client.
7. Describe the educational tools and materials your company's propose to use to assist participants in defining their level of risk tolerance and long term savings goals and matching those elements with appropriate investment options within the plans. Describe how your company's approach has assisted participants in constructing portfolios with appropriate levels of diversification within risk parameters that they are comfortable with.
8. Fully describe the retirement planning services your company is proposing to provide? Provide samples of the presentations, workbooks, interactive materials, newsletters and other materials you use. Indicate your company's philosophical approach to retirement planning and the benefits to participants and the plans.

7.14. RECORD KEEPING

1. Fully describe your company's unallocated record keeping abilities and methodology. Describe your company's experience in interfacing on a

daily basis with a variety of investment companies. Please list the investment companies that you currently interface with on a daily basis. Please indicate whether there are any investment companies with which your company cannot work. List the number of situations in which you interface with the companies currently providing investment options under the plans. Describe your company's abilities to interface with a client's internal investment manager. Indicate whether you currently have similar arrangements for any of your company's existing clients.

2. Describe your procedures for ensuring that the plan is in balance on a daily basis. Do you use share or unit accounting?
3. Describe your procedures for communicating purchase and sale directions (e.g., transfers, withdrawals, rollovers) to third-parties/custodians/internal manager.
4. Describe all controls taken to ensure the timeliness of record keeping, that each participant's account complies with all provisions of the plans and government regulations and that, to the degree required, all forms and authorizations are complete and on file.
5. How are errors handled through your record keeping system for:
 - a) Contributions
 - b) Withdrawals/Distributions (both over- and under-payments)
 - c) Transfers
 - d) Allocation of earnings
 - e) Tax reporting

Is this error-handling process manual or can corrections be handled on the system?

6. What hardware/systems/formats are presently in place for electronic receipt and upload of information from clients? Describe how you propose data would be transmitted to and from DRS giving a proposed data transmission plan identifying various types of information expected to be transmitted, how each type of data will be transmitted and what timeframes would be necessary.
7. Are your systems year 2000 compliant? If not, when will they be? Confirm that your company warrants that all software either used for, sold to, or licensed to DRS prior to, during, or after the calendar year 2000, shall not experience software abnormality and/or the generation of incorrect results from the software, due to date oriented processing.

8. What types of edits does your company perform on payroll data? How soon after receipt of the files are the edits performed? Describe your process for resolving data discrepancies.
9. In the format below, describe your company's standards for performance. Assume all data, wires or other requests are received in reasonably good condition, before your cutoff time for the day, and that any required employer approvals have been received.

Activity	Quality standard (business days)	Explanation
Contribution reconciliation and posting	___ days from receipt of payroll data	
Hardship withdrawals paid	___ days from receipt of request	
Distributions paid	___ days from receipt of request	
Investment fund transfers processed	___ days from receipt of request	
Confirmations mailed	___ days from execution of transaction or request	
Participant statements mailed	___ days from period end	

10. For each of the transactions listed above, describe the interface between DRS staff and your company.
11. Describe what information you maintain in a participant's account record. Confirm that this complies with DRS's requirements as outlined in the RFP.
12. Will you maintain copies of plan records (allocation changes and transfers)? How do you propose to store and retrieve, by hard copy, electronic media, other?
13. Describe in detail how you propose to conduct the split of contributions between the WSIB-managed stable value fund and the various mutual fund investment options and reconcile individual participant contributions in accordance with DRS's requirements and parameters. Provide a timeline of the process, including time requirements on the receipt of NAV information from the outside investment provider, when buy/sell instructions are provided to the fund providers and when funds are wired to the providers. How will you provide confirmation of the receipt of funds to DRS? Describe your company's procedures for correcting erroneous contributions. Confirm that if the erroneous contribution is due to your company's error, you will make the participant whole at your company's (and not the plan's) expense. Include a description of your procedures for reconciling the plan depository investment accounts and the information and statements that you will provide to DRS.

14. Clarify how you expect to process participant changes in investment elections. Confirm that you will be able to provide written confirmation of the change to participants within three days of the change. Confirm that you do not intend to impose any limitations such as a maximum number of changes, contribution investment transfers or elections.
15. Provide a timeline fully describing the procedures and time required for your company to transfer all or a portion of a participant's account balance in an investment option to another investment option. Give any minimum time guarantees you provide as well as your company policy on retroactively correcting any erroneous transfers. Provide a complete timeline, including the terms and conditions under which you can provide a transfer at that day's purchase price? What time cutoffs must the investment companies meet in order to provide a sample of your written confirmation of transfer? Your system must process transfer of account balance by percent and by dollar amount.
16. Describe your company's methodology for enforcing equity wash and/or participant/aggregate level transfer restrictions. Indicate whether restrictions are monitored by your record keeping system or manually.

7.15 FEES

1. Describe how your company will handle the deduction of administrative fees from participant accounts. Indicate that you can collect different fees from different investment options. Indicate whether you can credit reimbursements received from fund companies directly to participant accounts. Indicate any limitations on the type of fees and/or method of collection.
2. Confirm that your company can provide detailed reports (by fee type) depicting all fees collected from participant accounts. Confirm that your company can provide detailed reports substantiating fees associated with services provided by your company.
3. If needed, confirm that your company will assist DRS and/or its registered investment advisor in obtaining reimbursements and other fees from plan investment service providers. Describe any preferential pricing or similar alliance arrangements that you have negotiated on behalf of your clients.

7.16 STANDARD REPORTING

1. List and describe the reports that your company proposes to prepare for DRS. Indicate what additional information your reports would provide. Confirm that your reports would not provide less information in the

reports than DRS currently uses and that your reports meet the requirements described in the RFP.

2. To what extent can these proposed reports be customized? What is the cost to receive ad-hoc reporting and what are the limitations of what DRS can request. What is the process for developing customized report formats and delivery mechanisms customized to client requests?
3. Provide a full set of standard daily, monthly, quarterly, and annual accounting statements and reports. (NOTE: Include enough pages of each report to demonstrate its use and distinguishing features; total reports are not required.) Include with your proposal a set of screen formats used for electronic delivery.
4. What is the timeliness of reports by hard copy? By electronic delivery? Include the average response time to receive standard reports? Special reports?
5. Provide samples of the type of edit reports that would be issued for all types of transactions.

7.17 PARTICIPANT STATEMENTS

1. Indicate that your company will provide DRS with copies of the statements on CD-ROM or through on-line file transmission.
2. A copy of DRS's current statement of account is provided in the Exhibit O. Confirm that your company's statement will be personalized for DRS and that your company can provide, at a minimum, all the data currently provided on DRS' current statement of account. Describe any statement enhancements your company proposes. Provide a sample statement.
3. For the past four quarters, provide the average number of days required to issue quarterly statements for your company's five largest (by number of participant accounts) daily record keeping clients. Confirm that you can provide quarterly participant statements of account within ten (10) days of the end of the quarter for the daily valued investment options. Indicate by what date you must receive data from the State Investment Board in order to provide statements within the current timeframe as described in the RFP.
4. For your five largest clients, provide your company's statement accuracy percentage; i.e., the percentage of statements that are not mailed on the normal mail date because of an unresolved discrepancy. Confirm that you will agree to incorporate a minimum error percentage in your contract.

7.18 DISTRIBUTION SERVICES

1. Describe in detail the distribution counseling services that your representatives would be able to provide for participants. Counseling should, at a minimum, include reviewing the distribution options and their advantages and disadvantages, including tax impact. Provide samples of the written materials and applications that you would propose sending to participants who have requested distribution information. Attach samples of the forms that your company uses for election of form of payment. Describe how your representatives would be able to assist participants in completing the applications. Describe how you will communicate the different payment options (annuity and installment payments).
2. The record keeper will be required to provide an annuity shopping service. List and describe your service's normal distribution options. Confirm that your company will provide at least the same distribution options as currently provided under the plans. If not, identify those distribution options you will not provide.
3. For the annuities that you have provided, give the actual and guaranteed purchase rates per \$1,000 for the following payment options on June 30, 1997, 1998 and 1999. Provide purchase rates for a participant age 50, 55, 60, 62 and 65. For joint and survivor payment options assume that the spouse is the same age. Unisex rates are required.
 - a) Life only
 - b) Life and 10 years certain
 - c) 50% joint and survivor
4. For the annuity purchase rates listed above, list the commissions, if any, your company receives. Note that your company must fully disclose all commissions paid for annuities purchased under the Plans.
5. Does your record keeping system accommodate all applicable federal and state tax and withholding calculations? Describe.
6. Describe how you monitor the age 70-1/2 minimum distribution requirements. How does your system accommodate MRDs for participant who are still working?
7. Describe your company's procedures for processing the termination or retirement of an employee. Start with the date a participant terminates and end with the receipt of distribution. Provide the number of days between receipt of the completed application and the issuance of a check for both lump sum and periodic payments.

8. Also describe how the appropriate Internal Revenue Service reporting (Form W-2) and withholding is conducted. What controls are in place to ensure that both the Federal and State Tax Tables are updated in the system timely to reflect the most current tax tables? All liability for such withholding and reporting will be the responsibility of the contractor. Describe how your company handles the direct rollover and notice requirements.
9. Confirm that you provide direct deposit for an installment or systematic withdrawal payment to a participant's personal bank account.
10. What is your company's policy regarding stale dated checks? How long can the unredeemed funds remain in your disbursement account? How are these funds tracked and monitored?
11. Indicate the procedures that are used to process a hardship withdrawal application. Fully describe timing once DRS has notified you that a hardship application has been approved. Can you expedite payments? Mail distributions by overnight mail?
12. Note that the State applies a six-month contribution restriction to participants who request/receive a hardship withdrawal. Fully describe how that limitation is monitored by your system.
13. As provided in the Small Business Job Protection Act, describe how your company proposes to conduct the cashout of the accounts of inactive but not terminated employees which are less than \$5,000. Fully describe any administrative or legal issues you see associated with this provision.
14. As provided in the Small Business Job Protection Act, describe how your company proposes to handle the additional deferral of commencement of benefits under the Plan.

7.19 DRS SUPPORT SERVICES AND ON-LINE RECORD KEEPING SYSTEM ACCESS

1. Describe how your company will monitor the dollar contribution limitations that apply to the 457 plan. Indicate how you intend to interface with DRS if an excess contribution is received. Indicate what steps and remedies your company will take if an excess contribution is processed in error.
2. Indicate whether your company can calculate the percentage of compensation limits if pay data is provided by DRS.

3. Describe the arrangements under which your company will provide DRS staff on-line, inquiry only access to plan records. Describe the data that will be available to staff and provide copies of the data screens that staff will view. What functions are available through on-line access? What type of training will you provide DRS staff in the use of the system? How frequently will you agree to conduct such sessions? Indicate that the administrative manual that your company will provide will contain complete instructions on how to access and view such information and how to trouble shoot routine problems.
4. Describe the computer hardware, phone line and modem capabilities that DRS must have in order to be able to access a plan database. How many clients currently use on-line access?
5. Indicate what security precautions your company will require. Is the on-line system integrated with the voice response system?
6. Fully describe the reporting capabilities that staff access to the system will provide. Attach copies of these reports. Indicate any restrictions that your company will impose regarding the information and reporting that can be obtained or in terms of time of access to the system to generate desired reports.
7. Detail the typical turnaround time for several types of special reports commonly requested by clients. Discuss the type and timing of data available by electronic delivery for:
 - On-line view
 - On-line manipulation
 - On-line download of formatted data
 - On-line download of raw data
 - Report-writing access
8. Confirm that your company will make available a representative who will assist staff in correctly obtaining access to the database and generating reports. Describe the capabilities and qualifications of that individual and what steps your company will take in order to ensure that DRS staff can obtain resolution to problems on a timely basis.

7.20 System Support and Changes

1. Indicate whether your record keeping system is owned by your company or subcontracted from another organization. If your company owns the system, was it originally purchased from an outside vendor? If so, from whom? Does your company have a maintenance agreement with the

vendor for on-going support? Is your company allowed to modify the system? If the system was not purchased, when was it first put into place and last updated? What plan do you have for significant changes? Describe any pending changes and proposed implementation dates. If the system is subcontracted, provide details of the arrangement and the name and qualifications of the organization.

2. Do you foresee any specific problems incorporating the plans into your record keeping system? If so, describe them in detail.
3. How much has your company spent on system and technology enhancements in each of the past two calendar years? What expenditure is planned for the next two years?
4. Does your company have a separate systems support group for your record keeping system? What is the size of the internal systems staff that supports your company's system?
5. Does your company propose to charge for system modifications required by legislative changes? If so, indicate the anticipated charge schedule in your fee quote. Does your company propose to charge for system modifications requested by the DRS? If so, indicate the anticipated charge schedule in your fee quote.
6. Describe your company's system back up, security and disaster recovery procedures. Are files archived and stored at an off-site location? Have procedures been tested? When did you last perform a full-scale disaster recovery test? Provide a copy of the test results.
7. Describe your company's capability for electronic data transfer between your system, the payroll centers, the trustee/custodian's, and the investment managers. Do other systems have to conform to your data formats, or do you customize your formats to meet others' needs/capabilities? If so, the cost for customization should be included in your fee proposal. Does your company use electronic mail to communicate with the various parties?
8. Describe and provide a sample of the administrative procedures and policies manual outlining all the administrative requirements as well as sample forms and instructions.

7.21 COMPLIANCE, ACCOUNTING AND REPORTING CAPABILITIES

1. How does your company handle DRO information in your record keeping system?

2. If a participant contacted your company, describe completely how your representative would explain the withdrawal restrictions of the 457 plan. Attach samples of communication materials that address this issue.
3. Describe the services you will provide to monitor participants using “catch-up” under 457.
4. Describe how you handle audit documentation where paperless processing has occurred.
5. Confirm that you will be able to provide the necessary information requested by DRS and its auditors.
6. Provide a copy of your company’s SAS 70 audit. Indicate how frequently your company has this audit conducted.
7. Indicate what legal and advisory services you will provide DRS in administering its plan in conformance with the appropriate laws and regulations. Indicate how you will review and inform DRS of changes in the law and current legislation potentially impacting the plan.
8. How many attorneys and how many paralegals are on staff? Describe their qualifications. How does your company charge for these services? Describe how your company would interface with DRS and the State’s corporate and outside counsel.
9. For your company’s five largest public sector clients, describe the general consulting and support services you have provided during the last year. Indicate what issues you have been involved in identifying and resolving.
10. During the State’s legislative session, there are frequently requests from legislators for various types of administration. Describe your experience in working with public sector clients in addressing legislative requests for information during session and your ability to meet the immediate timeframes that usually accompany these requests.

7.22 ADDITIONAL INFORMATION

1. Describe the procedures and safeguards you use to protect the confidentiality of information on participants and beneficiaries.
2. If the above answers do not sufficiently cover all the pertinent facts that qualify your company, summarize additional information below.

3. This RFP has outlined the services required to be provided under a contract for record keeper services. If, as a part of your record keeper Service package, there are additional, superior or unusual services that will be or could be provided at no cost, describe them in detail.
4. Describe how your system supports on-line enrollment.
5. If your response to a question differs in terms of providing services to the DCP plan versus to the JRA Plan, please note and clearly explain the differences.

8. FEE PROPOSAL

It is DRS's desire to enter into one or more fixed price contracts with one or more record keepers to provide the services requested in this RFP. The fees proposed must be fixed over the three-year contract, and an increase to the fees quoted will not be permitted.

8.1 FEE PROPOSAL ALTERNATIVES

Qualified Respondents may propose under the following three alternatives:

Alternative 1	The TRS Plan 3 and the SERS Plan 3 plans only, or
Alternative 2	The DCP plan only, or
Alternative 3	The TRS Plan 3, the SERS Plan 3 and the DCP plan(s) combined.

Separate Price Proposals Forms must be submitted for each alternative under which the Respondent would like to be considered. DRS may decide *not* to combine services for all three plans under Alternative 3, so a respondent who wishes to be considered for all three alternatives must submit three Price Proposal Forms; one for Alternative 1, one for Alternative 2 and one for Alternative 3. **The Fee Proposal Forms are Appendix B, found at the end of this RFP.** The Respondent is required to identify start up costs separately for each of the three plans.

For TRS Plan 3 and SERS Plan 3, DRS requires all Respondents to divide their proposed fee between the fees required to provide services to the monthly valued (TAP) portion of the plan(s) and the fees required to provide services to the daily valued (self-directed) portion of the plan(s). This breakdown is not required for DCP.

Regarding dual participation, the Fee Proposals under Alternative 3 should be based on the assumption that "dual" participants, those employees who participate

in both DCP and either TRS Plan 3 or SERS Plan 3, are accounted for separately under the separate fee proposed for each plan.

DRS requires all Respondents to make their Fee Proposals in a minimum of three formats:

Option 1	Flat fee
Option 2	Per-participant fee
Option 3	Asset-based fee

A Respondent may also submit one or more alternative fee structure proposals. Such proposal should be submitted in a format similar to that required for the three required fee proposal formats.

DRS reserves the right to select a combination of fee options provided by the Successful Respondent(s).

8.2 ILLUSTRATION ASSUMPTIONS

Each Respondent must fully identify the pricing assumptions that it made in arriving at its fee proposal in the tables provided on the Fee Proposal Form. In addition to the variables itemized on the Form, Respondents are encouraged to list other assumptions and factors they considered in making their assumptions.

However, no representations or warranties of any type or kind are made by DRS as part of this RFP as to the specific type or kind of investment products which may in the future be approved by the WSIB. Nor are any representations or warranties made as to the number of employees or eligible entities that will participate in the plan(s), the amount of assets that will constitute the plan(s), the potential usage of expected services or any other factor that might impact the provision of services to the plan(s).

Regarding the implementation of SERS Plan 3, Section 1.2 of the RFP provides information on the transfer experience under TRS Plan 3 and additional available information that might affect the level of SERS Plan 3 transfer levels. Respondents should use this information in estimating the number of expected participants under Pricing Assumptions.

8.3 COMPENSATION RESTRICTIONS

The Successful Respondent shall receive no compensation for acting as record keeper other than the fees set forth in its Fee Proposal. The Successful Respondent can receive no compensation or fees from investment products offered under the plan(s). Any 12(b)(1) charges or other fees or rebates that are paid to the plan(s) will be used to offset plan costs, including the Respondent's

fee. Fees quoted cannot assume that funds with which the Respondent has any relationship, ownership or otherwise, would be offered at any time under the Plan.

Fee Proposals must assume that no commissions, reimbursements, broker's fees, special premiums or any other kind of fee or charge other than those disclosed are to be paid or will be established for payment to any third party for the State of Washington's account.

9. SUPPLEMENTAL INFORMATION

Each Respondent may present any supplemental information that the Respondent deems appropriate. The Respondent may also provide supporting documentation, as necessary, for evaluators to determine relevance and value.

10. EVALUATION AND CONTRACT AWARD

10.1 EVALUATION TEAM

The evaluation of proposals shall be accomplished by an evaluation team, to be designated by DRS, which will determine the proposal most responsive to the requirements stated in this RFP. Proposals will be evaluated strictly in accordance with the requirements set forth in this RFP and any addenda that are issued.

10.2 RESPONSIVENESS

Any proposal that does not adhere to the RFP format as specified may be considered non-responsive and not subject to further evaluation.

10.3 AWARD BASED ON MULTIPLE FACTORS

The evaluation process is designed to award the contract to the Respondent whose proposal best meets the requirements of this RFP. The final selection, if any, will be based on the evaluation committee's recommendation after analysis of the Responses to Questions and the Fee Proposal, and oral presentations, if required.

10.4 EVALUATION WEIGHTING CRITERIA

Responses to the questions in Sections 6 and 7 will be organized into the following categories and scored by a DRS evaluation team.

Record Keeping/Administration	25%
Customer Service/Communications	25%
Vendor Qualifications	25%
Cost	20%
Reporting & Compliance	05%
Total Weighting	100%

10.5 INTERVIEWS CONDUCTED IF NECESSARY

DRS, at its sole discretion, may elect to select the top two or more Respondents for an oral presentation and final determination of contract award. Commitments made by the Respondent at the oral interview, if any, will be considered binding. If interviews are conducted, the final selection will be based on the combined proposal and oral interview. Respondents with whom interviews are conducted will be asked to elaborate on the elements of their proposal.

10.6 NOTIFICATION TO UNSUCCESSFUL RESPONDENTS

Companies whose proposals have not been selected will be notified via FAX at the FAX number provided in their proposal.

10.7 GENERAL TERMS AND CONDITIONS

The apparently successful Respondent will be expected to enter into a contract with DRS which is substantially the same as the sample contract at the end of the RFP as Appendix C, including DRS's General Terms and Conditions.

While the Respondent is free to propose changes to the Contract Terms and Conditions, the Respondent is not to submit the Respondent's own standard contract terms and conditions as a replacement for those identified in this RFP and Appendix C. A Respondent's request for substantial modification of the sample contract will be viewed as a non-responsive proposal resulting in disqualification of the Respondent. Determination of what constitutes substantial modification rests solely with DRS.

10.8 DEBRIEFING OF UNSUCCESSFUL RESPONDENTS

Unsuccessful Respondents will be given the opportunity for a debriefing conference. The RFP Coordinator must receive a written request for a debriefing

conference within three (3) business days after the Notification of Unsuccessful Respondent letter is faxed to the Respondent. The request may be faxed. The debriefing must be held within three (3) business days of the request.

Discussion will be limited to a critique of the requesting Respondent's proposal. Comparisons between proposals or evaluations of the other proposals will not be allowed. Debriefing conferences may be conducted in person or on the telephone and will be scheduled for a maximum of one hour.

10.9 PROTEST PROCEDURE

This procedure is available to Respondents who submitted a response to this solicitation document and who have participated in a debriefing conference. Upon completing the debriefing conference, the Respondent is allowed three (3) business days to file a protest of the acquisition with the RFP Coordinator.

Respondents protesting this procurement shall follow the procedures described herein. Protests that do not follow these procedures shall not be considered. This protest procedure constitutes the sole administrative remedy available to Respondents under this procurement.

All protests must be in writing and signed by the protesting party or an authorized Agent. The protest must state the grounds for the protest with specific and complete statements of the action(s) being protested. A description of the relief or corrective action being requested should also be included. All protests shall be addressed to the RFP Coordinator.

Only protests stipulating an issue of fact concerning the following subjects shall be considered:

- A matter of bias, discrimination or conflict of interest on the part of the evaluator;
- Errors in computing the score;
- Non-compliance with procedures described in the procurement document or DRS policy.

Upon receipt of a protest, DRS will hold a protest review. All available facts will be considered and the DRS Director or his delegate will issue a decision within five business days of receipt of the protest. If additional time is required, the protesting party will be notified of the delay.

In the event protest may affect the interest of another Respondent that submitted a proposal, such Respondent will be given an opportunity to submit its views and any relevant information on the protest to the RFP Coordinator.

The final determination of the protest shall:

- Find the protest lacking in merit and uphold DRS's action; or
- Find only technical or harmless errors in DRS's acquisition process and determine DRS to be in substantially compliance and reject the protest; or
- Find merit in the protest and provide DRS options which may include:
 - Correct the errors and re-evaluate all proposals, and/or
 - Reissue the solicitation document and begin a new process, or,
 - Make other findings and determine other courses of action as appropriate.

If DRS determines that the protest is without merit, DRS will enter into a contract with the apparently successful Respondent. If the protest is determined to have merit, one of the alternatives noted in the preceding paragraph will be taken.

10.10 PROPRIETARY INFORMATION/PUBLIC DISCLOSURE

All proposals received shall remain confidential until the successful Respondent(s) resulting from this RFP, if any, is announced by DRS's Director or the Director's designee. Thereafter, proposals shall be deemed public records as defined in Chapter 42.17 RCW (the Washington State statute pertaining to accessibility to public records) except as exempted in that chapter. Respondents are advised that the permissible exemptions from public disclosure pursuant to RCW 42.17 are very narrow in scope and strictly construed. In the event that a Respondent desires to claim portions of their proposal as exempt from disclosure under the provisions of the aforementioned RCW, it is incumbent upon that Respondent to clearly identify those portions in a proposal transmittal letter. The transmittal letter must identify the page and particular exemption(s) from disclosure upon which it is making its claim. Further, each page claimed to be exempt must be clearly identified by the word "CONFIDENTIAL" printed on the lower right-hand corner of the page. **Designating the entire proposal as confidential is not acceptable and will not be honored.**

If an official request is made to view a Respondent's proposal, DRS will respond in accordance with RCW 42.17.250 et seq. If any of the specifically requested information is marked as "confidential" in the proposal, such information will not be made available until three (3) business days after the affected Respondent has been given telephone notice that the information has been requested. If within those three (3) business days the affected Respondent has undertaken proceedings to obtain a court order restraining DRS from disclosure of the requested "confidential" information, DRS will not disclose such information until resolution of the court proceeding. Upon failure to make application for judicial relief within the allowed period, the information will be disclosed.

NOTE: The proposal of the successful Respondent(s) will be attached to the resulting contract and incorporated therein by that attachment. Therefore, as part of a public state agency contract, the entirety of the successful Respondent(s)' proposal will be subject to public disclosure regardless of any claim of confidentiality or previously applicable statutory exemption. Nevertheless, should a successful Respondent obtain a court order from a Washington State court of competent jurisdiction prohibiting disclosure of parts of its proposal prior to the execution of the contract incorporating the same, DRS will comply with the court order. The burden is upon a successful Respondent to evaluate and anticipate its need to maintain confidentiality and to proceed accordingly. Timeliness will be of the essence; a delay in execution of the contract to accommodate a petition to the courts will not be allowed.

11. DRS RIGHTS

11.1 PROPOSAL REJECTIONS

Determination of clarity and completeness in the responses to any of the provisions in this RFP will be made solely by the DRS evaluation team. DRS reserves the right to require clarification, additional information, and materials in any form relative to any or all of the provisions or conditions of this RFP.

DRS reserves the right to reject any or all proposals at any time prior to the execution of a contract acceptable to DRS, without any penalty to DRS.

11.2 CONTRACT AWARD

DRS intends to award the contract to the Respondent(s) with the best combination of attributes based on the evaluation criteria listed in Section 10.4 of this RFP. Should DRS fail to enter into a contract with the apparently successful Respondent(s), DRS reserves the right to award a contract to the next most qualified Respondent(s). DRS also reserves the right to contract with more than one Respondent.

11.3 PUBLICITY

No informational pamphlets, notices, press releases, research reports, and/or similar public notices concerning this project may be released by the apparently successful Respondent(s) without obtaining prior written approval from DRS.

11.4 WAIVERS

DRS reserves the right to waive specific terms and conditions contained in this RFP. It shall be understood by Respondents that the proposal is predicated upon

acceptance of all terms and conditions contained in this RFP unless the Respondent has obtained such a waiver, in writing, from the RFP coordinator prior to submission of the proposal. Any waiver, if granted, will be granted to all Respondents.

11.5 RECORDS RETENTION

After the date of the announcement of the apparently successful Respondent(s), DRS will retain one master copy of each proposal received for a period of six years. However, due to limited storage capacity and workspace efficiencies, those copies may be moved from DRS headquarters to the Washington State Records Center in Tumwater, Washington, at the end of six months from the date of announcement of the apparently successful Respondent(s). Thereafter, accommodation of any request made pursuant to Chapter 42.17 RCW to examine and/or photocopy proposals submitted in response to this RFP will be necessarily delayed in order to retrieve the requested records. However, DRS will retain, at its headquarters, copies of the proposal(s) from the apparently successful Respondent(s) for a period of six years from the execution date of contracts resulting from this procurement.